ANNUAL REPORT 2018

LifeTech Scientific Corporation
先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302

CONTENTS

CORPORATE INFORMATION

As at 28 March 2019

EXECUTIVE DIRECTORS

XIE Yuehui
(Chairman and Chief Executive Officer)
ZHANG Deyuan
(President and Chief Technology Officer)
(resigned on 28 March 2019)
LIU Jianxiong
(Vice President, Chief Financial Officer and Company Secretary)

NON-EXECUTIVE DIRECTORS

CLEARY Christopher Michael
(resigned on 25 May 2018)
MONAGHAN Shawn Del
(resigned on 25 May 2018)
JIANG Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

COMPANY SECRETARY

LIU Jianxiong

AUTHORIZED REPRESENTATIVES

XIE Yuehui
LIU Jianxiong

AUDIT COMMITTEE

LIANG Hsien Tse Joseph *(Chairman)*
ZHOU Luming
WANG Wansong

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

WANG Wansong *(Chairman)*
CLEARY Christopher Michael
(resigned on 25 May 2018)
XIE Yuehui (appointed on 25 May 2018)
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 THE 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 ADVISOR

Tiang & Partners
Room 2010, 20/F, Edinburgh Tower
The Landmark
15 Queen's Road 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 SUMMARY

FINANCIAL SUMMARY

	Year ended 31 December		
	2018 RMB'000	2017 RMB'000	Change
Revenue	**556,698**	409,125	36.1%
Gross profit	**455,021**	331,957	37.1%
Operating profit	**164,189**	192,207	-14.6%
Profit before tax	**167,188**	193,623	-13.7%
Profit for the year attributable to owners of the Company	**121,082**	163,472	-25.9%
Earnings per share			
– Basic	**RMB2.8 cents**	RMB3.8 cents	-26.3%
– Diluted	**RMB2.8 cents**	RMB3.8 cents	-26.3%

FIVE YEARS' FINANCIAL SUMMARY

	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000
Revenue	**556,698**	409,125	352,849	311,606	282,679
Profit (loss) for the year	**121,353**	163,574	145,710	4,025	(80,732)
Assets					
Non-current assets	**953,147**	662,891	518,075	400,940	178,411
Current assets	**577,985**	606,866	811,993	400,947	387,880
Total assets	**1,531,132**	1,269,757	1,330,068	801,887	566,291
Liabilities					
Current liabilities	**208,271**	156,480	221,117	121,188	65,513
Non-current liabilities	**78,971**	57,311	238,356	500,425	344,473
Total liabilities	**287,242**	213,791	459,473	621,613	409,986
Total Equity	**1,243,890**	1,055,966	870,595	180,274	156,305

Dear shareholders,

For and on behalf of the board (the "Board") of directors (the "Directors", each a "Director") of LifeTech Scientific Corporation (the "Company" or "Lifetech"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2018.

FINANCIAL REVIEW

I am proud to announce that the Group has achieved a continuing growth in sales for the year ended 31 December 2018. Revenue of the Group was approximately RMB556.7 million for the year ended 31 December 2018 in comparison with approximately RMB409.1 million for the corresponding period of 2017, representing a substantial growth of approximately 36.1%. Gross profit was approximately RMB455.0 million for the year 2018 in comparison with approximately RMB332.0 million in 2017, representing a growth of approximately 37.0%. The increase in revenue was mainly attributable to the growth of sales volume of our primary products along with the expansion of our sales network, higher market penetration and increasing market share.

Net profit attributable to owners of the Company for the year ended 31 December 2018, excluding certain non-recurring items and share-based payment expenses, was approximately RMB196.1 million as compared to the net profit amounting to approximately RMB127.7 million in 2017, representing an increase of approximately 53.6%. Such non-recurring items include (i) approximately RMB46.4 million decrease in other income, which generated from consulting services provided to the purchaser of Beijing PerMed Biomedical Engineering Co., Ltd ("Beijing PerMed") for 12 months since December of 2016; and (ii) approximately RMB13.9 million increase in the income tax which generated from Lifetech Scientific (Shenzhen) Co., Ltd ("Lifetech Shenzhen") allocating profits to the parent company. Additionally, the share-based payment expenses increased of approximately RMB50.4 million from approximately RMB10.7 million for the year ended 31 December 2017 to approximately RMB61.1 million for the year ended 31 December 2018. Considering the influence arose therefrom, the Company have recorded net profit attributable to owners of the Company for the year ended 31 December 2018 which was approximately RMB121.1 million, as compared to the net profit of approximately RMB163.5 million in 2017, representing a decrease of approximately 25.9%.

OPERATION REVIEW

During the year ended 31 December 2018, the Group continued to promote the existing businesses of its major products and also actively expanded its distribution network around the world. The sales of the Group have been continuously increasing due to our constant marketing efforts and our enhanced brand image. The leading market position has been further strengthened through these efforts.

In 2018, the production of the first batch of HeartTone™ implantable pacemaker ("HeartTone™ pacemaker") was completed and were delivered to various provinces in China for implantation. HeartTone™ pacemaker adopted the advanced technology from Medtronic, Inc. or its affiliates ("Medtronic") and strictly followed the manufacturing standards of Medtronic. As the Chinese government encourages domestic products to replace imported products, the market share of domestic pacemaker products has significantly increased. In 2019, Lifetech and Medtronic will work together to facilitate the tender process and the admission of products to hospitals in order to allow more patients to benefit from our cost-effective HeartTone™ pacemaker.

In 2018, we have also achieved great breakthroughs in the research and development field. We have obtained the CE certification of KONAR-MF™ multifunctional occluder, while several products entered into the stage of clinical trials. Additionally, the study on the first in man ("FIM") implantation of IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System was approved by the National Medical Products Administration ("NMPA"). IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System was successfully implanted in human body for the first time in March, and the clinical results was officially released in September, confirming its initial safety and effectiveness and showing its great potential.

On 23 August 2018, China Central Television ("CCTV") Finance and Economics Channel "Transaction Time" reported on the innovative development of China's medical device industry, and described the rapid development of Chinese medical device enterprises with the strong support of relevant policies. CCTV considered Lifetech as an example to demonstrate how high-end medical device enterprises maintain their competitiveness through independent innovation and achieve rapid development under the support of national industry policies.

Lifetech was awarded with the "Listed Company with the Best Medical Devices and Diagnosis", "The Most Attentive Listed Company by Institution Investors of Shenzhen-Hong Kong Stock Connect" and the "The Most Growing Hong Kong Stock Connect Company". The achievement of these awards will undoubtedly further enhance our Company's appeal to the investors, and the clear development strategy and the innovative products aligned with market demand will bring steady and sustained development to the Company. In the future, Lifetech will continue to focus on the core business of the Company, insist on providing global doctors and patients with advanced technology and high-quality innovative medical equipment products, and striving to create the best value for our shareholders as well as our investors.

PROSPECTS

We believe that our strong ability to develop new proprietary products is the core element of success. We will continuously devote ourselves into the improvement of technology, automation and product quality. We will strive to enhance the innovation capability and standard; continue optimizing the production and sales model while maintaining the strong competitiveness of the existing products and grow further the market share of our major products.

Looking further ahead, the Group has formed a strategic investment relationship with Ally Bridge Group ("ABG"), a global healthcare-focused investment firm. The partnership between the Group and ABG aims at investing in the world's leading medical technology companies and helping them to accelerate the commercialization process in the PRC market and expand the Company's industry presence. In May 2018, the Group had participated in the C round of investment in Grail, Inc. ("GRAIL"), which focuses on early cancer detection. The Company believes the strategic investment activities above will create win-win cooperation and facilitate the Group to step into new markets. Further, we believe in the great market potential in technologies for the screening, treatment and rehabilitation industries relating to malignancies, myocardial infarction, cerebral ischemic stroke and cranial nerve system diseases, so the Company will explore the new investments in such industries to enable us to gain greater presence in the global market, and in line with the Company's strategic investment target in the global health industry.

We will also continue to evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in 2019, so as to enhance our competitiveness and market position in current key markets as well as selective new markets.

APPRECIATION

On behalf of the Board, I would like to express my appreciation and gratitude to our shareholders and business associates. We would also like to thank all of the directors, senior management and colleagues for their dedication and effort, which is crucial to our success. We will strive to seize the opportunities presented by the development of the medical device industry to achieve sustainable business growth and drive higher returns to the shareholders.

XIE Yuehui
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 28 March 2019

BUSINESS OVERVIEW

The Group is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. With the expansion of our product range, currently the Group has three main product lines, including structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. Structural heart diseases business mainly consists of congenital heart diseases occluders and LAA occluder. The peripheral vascular diseases business mainly includes vena cava filter and stent grafts. The new product line cardiac pacing and electrophysiology is mainly related to pacemakers. These product lines provide clinically effective and commercially attractive product offerings.

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

Annual performances

Despite the fierce competition in the medical devices industry, we were able to achieve solid results for our core businesses. China is still our largest market, and sales generated from the PRC market accounted for approximately 76.9% of our total revenue for the year ended 31 December 2018 (2017: approximately 77.2%). Our domestic sales achieved a substantial growth of approximately 35.4% during the year ended 31 December 2018 as compared to the corresponding period in 2017, indicating our stronger brand image and greater market share in China. Our international markets achieved a substantial growth of approximately 38.4% during the year ended 31 December 2018 as compared to the corresponding period in 2017, which was mainly because the Group proactively developed in its overseas business layout and proceeded with product registration, which gradually established a long-term and stable sales channel.

Research and development (“R&D”)

As at the date of this annual report, we made the following achievements in R&D field:

- KONAR-MF™ multifunctional occluder was granted with the CE certification in Europe.
- The study on the FIM implantation of IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System was approved by the NMPA. IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System was successfully implanted in human body for the first time in March, and the clinical results was officially released in September, confirming its initial safety and effectiveness and showing its great potential.
- The project “Establishment of a Three-level Prevention and Treatment System for Congenital Heart Diseases and Key Technology Innovations and Applications”, completed by Lifetech and Guangdong General Hospital, was awarded the first prize of “Guangdong Science and Technology Award for 2017”.
- External Temporary Pacemaker was approved to be marketed in the United State by Food and Drug Administration (“FDA”).

- GoldenFlow™ Peripheral Bare Stent System, External Temporary Pacemaker and Absorbable Occluder System have passed the special review application of NMPA and been approved as innovative medical devices. This shows that priority will be given to these products for their technical review and subsequent administrative approval, which will help accelerate their domestic registration procedure. At present, nine products of the Company have been approved as innovative medical devices by the NMPA.

Marketing activities

In 2018, we were continuously strengthening the distribution system by choosing quality distributors, and we also promoted our products by expanding our activities in tradeshow marketing and sales network coverage. Below are marketing activities highlights of 2018:

- From 22 to 25 March 2018, the 16th China Interventional Therapeutics ("CIT 2018") was held in Suzhou, China. During the opening ceremony of the conference, IBS™ Sirolimus-eluting Iron Bioresorbable Coronary Scaffold System was live broadcasted to show its successful implantation in human body for the first time in the world. From 21 to 25 September, the 30th Transcatheter Cardiovascular Therapeutics ("TCT 2018") took place in San Diego, California. During the conference, the first preliminary result of the world's first IBS™ Sirolimus-Eluting Iron Absorbable Coronary Stent System was officially released, which confirmed its initial safety and effectiveness in human application and showed its great potential for a bright future.
- On 21 August 2018, Prof. Shu from Fuwai Hospital of Chinese Academy of Medical Sciences successfully completed the world's first implantation in human body with Fenestration Stent Graft system in the aortic arch at Fuwai Yunnan Cardiovascular Hospital, which was another major technological breakthrough after the first case of human body implanted with Aortic Arch Solution with Chimney Endovascular aneurysm repair in Indonesia in May this year. Lifetech's revolutionary CSkirt™ Aortic Arch Branch Stent Graft System and Ankura™ Plus Aortic Arch Stent Graft System were highly commended by surgeons.
- On 14 September 2018, during the period of 13th Biennial Congress of Chinese Society of Pacing and Electrophysiology of Chinese Medical Association, Lifetech successfully launched the academic activity with respect to 100-Day Exhibition Show of LAmbre™ Classic Cases. Since the official launching of the LAmbre™ National Surgery Tour on 6 June the LAmbre™ surgery broadcast has gone through a hundred days, which successfully drawed society's attention to atrial fibrillation, left auricular occlusion and LAmbre™ LAA occluder. Meanwhile, LAmbre™ global training base has also been established in several clinical centers in Spain, Ireland, Germany and other countries.
- In 2018, as a leading supplier of minimally invasive interventional medical devices for the treatment of cardiovascular diseases, Lifetech was invited to a number of international conferences. In January, Catheter Interventions in Congenital, Structural and Valvular Heart Disease ("CSI") ASIA PACIFIC 2018 was held in Ho Chi Minh city, Vietnam. In April, the Charing Cross Symposium was held in London, England. In May, EuroPCR 2018 was held in Paris, France. In June, CSI Frankfurt, Complex Cardiovascular Catheter Therapeutics ("C3") were held in Frankfurt, Germany and Orlando, Florida, United States. In August, the 7th Congress of Asia Pacific Pediatrics Cardiac Society ("APPCS") was held in Bali, Indonesia. In September, Pediatric and Adult Interventional Cardiac Symposium ("PICS-AICS") 2018 was held in Las Vegas, United States. In October, the 9th Asia Pacific Congenital and Structural Heart Intervention Symposium ("APCASH") 2018 was held in Hong

Kong, China. In November, left atrial appendage symposium of LAA CSI Focus 2018 was held in Frankfurt, Germany. In December, CSI Africa 2018 was held in Cairo, Egypt. During the conferences, Lifetech organized satellite symposiums and invited famous experts to give lectures and presentations. Together with the live cases broadcasting, the lecturers and experts shared their experience of using Lifetech's LAmbre™ LAA occluder, KONAR-MF™ multifunctional occluer, Ankura™ thoracic stent graft system, HeartR™ occluder, Cera™ occluder and CeraFlex™ occluder, and they spoke highly of the product's innovative design and excellent performance.

- Lifetech Knowledge Exchange Program ("LKEP") continued to promote cutting-edge science in minimally invasive surgery with cardiovascular intervention aiming to improve the treatment skills of the doctors and thereby to allow more patients to receive safer and more effective treatment. After six years of development, LKEP has become a bridge which connects cardiovascular specialists around the world. The LKEP will help experts from around the world to break geographical, cultural and language barriers; discuss and exchange precious medical experience and clinical skills on the topic of cardiovascular minimally invasive interventional medical technology; learn from each other; make progress together and build friendships. More meaningfully, not only more Chinese experts got on the world arena, but LKEP also convinced foreign experts that cardiovascular minimally invasive interventional medical technology developed in China is rapidly advancing towards the world frontier and reaching internationally leading levels.

PATENTS AND BRANDING

In 2018, we filed 272 patent applications, including 150 applications in the PRC and 86 applications overseas, such as the European Union, United States, India, Australia, New Zealand, Korea and Japan and 36 applications in Patent Cooperation Treaty ("PCT").

In addition, 65 patents were approved during the year of 2018. As at 31 December 2018, we have filed a total of 875 patent applications.

In 2018, Lifetech was awarded as "Intellectual Property Advantage Enterprise in Guangdong Province of 2018".

FINANCIAL REVIEW

Overview

The Company has maintained a steady growth for the year ended 31 December 2018.

Revenue

Our revenue was approximately RMB556.7 million for the year ended 31 December 2018, with an increase of approximately RMB147.6 million or approximately 36.1% as compared to the revenue for the year ended 31 December 2017. The growth in revenue was mainly attributable to the increase of revenue from stent grafts, vena cava filter and LAmbre™ LAA occluder.

Revenue from structural heart diseases business

The turnover contributed by the structural heart diseases business for the year ended 31 December 2018 was approximately RMB208.3 million (2017: approximately RMB159.2 million), representing a growth of approximately 30.8%.

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

As compared to the corresponding period of 2017, the revenue generated from the sales of Cera devices increased by approximately 34.2% and CeraFlex devices increased by approximately 49.1% for the year ended 31 December 2018. HeartR devices decreased by approximately 0.4%, which was mainly due to the gradual replacement of HeartR devices by Cera devices.

The launch of LAmbre™ LAA occluder obtained positive market recognition, the revenue generated from the sales of LAmbre™ LAA occluder was approximately RMB41.6 million for the year ended 31 December 2018 (2017: approximately RMB21.1 million), representing a growth of approximately 97.2%.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2018 was approximately RMB342.9 million (2017: approximately RMB249.9 million), representing a growth of approximately 37.2%.

The products we offered in the peripheral vascular diseases business mainly included vena cava filter, Thoracic Aortic Aneurysm ("TAA") stent graft and Abdominal Aortic Aneurysm ("AAA") stent graft. As compared to the corresponding period of 2017, the revenue generated from the sales of stent grafts increased by approximately 41.5% and vena cava filter increased by approximately 27.8% for the year ended 31 December 2018.

Revenue from cardiac pacing and electrophysiology business

The turnover contributed by the cardiac pacing and electrophysiology business for the year ended 31 December 2018 was approximately RMB5.5 million. The products we offered in the cardiac pacing and electrophysiology business included HeartTone™ pacemaker and cardiac pacing lead.

We launched the new product HeartTone™ pacemaker in August 2018. The revenue generated from the sales of HeartTone™ pacemaker was approximately RMB4.8 million for the year ended 31 December 2018.

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 37.0% from approximately RMB332.0 million for the year ended 31 December 2017 to approximately RMB455.0 million for the year ended 31 December 2018. Gross profit margin increased by 0.6% from approximately 81.1% for the year ended 31 December 2017 to approximately 81.7% for the year ended 31 December 2018, which was mainly attributable to (i) the optimization of sales portfolio and the sales of high gross profit margin products increased; and (ii) the improvement of manufacturing technique.

Selling and distribution expenses

Selling and distribution expenses increased by 52.8% from approximately RMB84.8 million for the year ended 31 December 2017 to approximately RMB129.6 million for the year ended 31 December 2018. The increase was primarily due to (i) an increase in marketing expenses, especially for LAmbre™ LAA occluder; and (ii) an increase in staff costs, which was mainly driven by the increase in share-based payment expenses under the share option scheme.

Administration expenses

Administration expenses increased by 80.8% from approximately RMB52.7 million for the year ended 31 December 2017 to approximately RMB95.3 million for the year ended 31 December 2018. The increase was primarily due to (i) an increase in staff costs, which was mainly driven by the increase in share-based payment expenses under the share option scheme; and (ii) an increase in the depreciation expense, property management fee and utilities for the building, which situated at High-Tech Industrial Park, Nanshan District, Shenzhen, PRC ("Lifetech Building"); and (iii) an increase in initial 2-year management fee and transaction commission charge for financial assets.

Research and development expenses

Research and development expenses increased by 85.2% from approximately RMB62.2 million for the year ended 31 December 2017 to approximately RMB115.2 million for the year ended 31 December 2018. In addition, during the year, approximately RMB53.9 million (2017: approximately RMB34.6 million) was capitalised in development expenditure. Considering such capitalised expenditure, research and development cost increased by approximately 74.7% from approximately RMB96.8 million for the year ended 31 December 2017 to approximately RMB169.1 million for the year ended 31 December 2018. The increase was primarily due to (i) an increase in developing projects expenditure, especially for significant increase in clinical trials; and (ii) an increase in staff costs, which was mainly driven by the increase in shared-based payment expenses under the share option scheme.

Operating profit

Operating profit decreased by approximately 14.6% from approximately RMB192.2 million for the year ended 31 December 2017 to approximately RMB164.2 million for the year ended 31 December 2018. The decrease was primarily due to (i) approximately RMB50.4 million increase in share-based payment expenses; and (ii) approximately RMB46.4 million decrease in other income, which generated from consulting services providing to the purchaser of Beijing PerMed for 12 months since December of 2016.

Fair value and net exchange gains on financial assets

In May 2018, the Group invested USD20.0 million to subscribe for an equity interest in ABG-Grail Limited in order to indirectly acquire a minority equity interest in GRAIL, a healthcare company with a focus on early cancer detection. The Company believes in the great market potential in technologies for the screening, treatment and rehabilitation industries relating to cancer. The Company's indirect investment in GRAIL is aimed at providing the Company with greater exposure to the global market and improving the Company's position as a comprehensive healthcare provider. GRAIL is presently in an expansion phase and, although there are inherent risks associated with the development and commercialisation of new products, the Company believes the investment will broaden the Group's investment in innovative healthcare providers and the relative industries which the Company believes have great market potential. The Group also invested USD6.0 million to subscribe for the partnership interest in Ally Bridge Group Innovation Capital Partners III, L.P. The investments are classified as financial assets at fair value through profit or loss ("FVTPL") and they do not constitute notifiable transactions of the Company. Additional information in relation to these investments have been set out in note 18 to the consolidated financial statements in this annual report.

During the year ended 31 December 2018, the fair value and net exchange gains on financial assets were approximately RMB4.3 million. The fair value on financial assets was determined with reference to valuation report carried out by an independent qualified professional valuer.

Finance income and finance costs

The Company earned an interest income of approximately RMB3.3 million for the year ended 31 December 2018 as compared to approximately RMB2.7 million for the corresponding period in 2017.

The finance cost was approximately RMB0.3 million for the year ended 31 December 2018 as compared to approximately RMB0.8 million for the corresponding period in 2017.

Income tax

Income tax increased from approximately RMB30.0 million for the year ended 31 December 2017 to approximately RMB45.8 million for the year ended 31 December 2018. The increase was mainly due to the income tax generated from Lifetech Shenzhen allocating profits to the parent company, which amounted to approximately RMB13.9 million.

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2018 was approximately RMB121.1 million as compared to the net profit amounting to approximately RMB163.5 million in 2017. The decrease was mainly due to (i) approximately RMB50.4 million increase in share-based payment expenses; (ii) approximately RMB46.4 million decrease in other income, which generated from consulting services providing to the purchaser of Beijing PerMed for 12 months since December of 2016; and (iii) approximately RMB13.9 million increase in the income tax, which generated from Lifetech Shenzhen allocating profits to the parent company. Excluding the influence arose therefrom, the Company would have recorded net profit attributable to owners of the Company for the year ended 31 December 2018 which was approximately RMB196.1 million, as compared with a net profit of approximately RMB127.7 million for the year ended 31 December 2017, representing an increase of approximately 53.6%.

LIQUIDITY AND FINANCIAL RESOURCES

In 2018, the Group mainly financed its operations with its own working capital, bank loan and equity funding.

The Group recorded total current assets of approximately RMB578.0 million as at 31 December 2018 (2017: approximately RMB606.9 million) and total current liabilities of approximately RMB208.3 million as at 31 December 2018 (2017: approximately RMB156.5 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 2.77 as at 31 December 2018 (2017: approximately 3.88).

BORROWINGS

On 19 September 2018, Lifetech Scientific Trading Limited ("Lifetech Trading"), being one of our key operating subsidiaries in Hong Kong and acting as the borrower, and China Guangfa Bank Shanghai Branch (the "Lender") entered into the loan agreement (the "Loan Agreement") and pledge agreement (the "Pledge Agreement"), pursuant to which the Lender agreed to lend the loan amount of USD3.5 million (equivalent to approximately RMB24.0 million) to Lifetech Trading, with 3-month London Interbank Offered Rate ("LIBOR") floating upwards 2.14% commencing on the day the loan money is drawn from the bank, for a term of two years subject to the terms and conditions under the Loan Agreement. Lifetech Shenzhen had pledged its bank deposit with amount of RMB30.0 million as at 31 December 2018, for the purpose of securing the bank borrowings.

As at 31 December 2018, bank borrowings were approximately RMB24.0 million (2017: nil) and the interest incurred therefrom was approximately RMB0.3 million in 2018 (corresponding period in 2017: approximately RMB6.0 million), of which approximately RMB0.3 million (corresponding period in 2017: 0.8 million) was recogised as finance costs, while nil (corresponding period in 2017: approximately RMB5.2 million) was capitalised as construction in progress.

GEARING RATIO

As at 31 December 2018, the gearing ratio (calculated as a ratio of total borrowings to total equity) of the Group was 1.9% (31 December 2017: nil).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB1,240.4 million as at 31 December 2018 as compared to approximately RMB1,052.8 million as at 31 December 2017.

BUILDING CONSTRUCTION AND OPERATING LEASES

On 19 December 2014, Lifetech Shenzhen entered into the construction contract (the "Original Construction Contract") with the China Construction Fourth Engineering Division – 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 an agreed contract price. 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.

In June 2017, the construction of the Lifetech Building was completed and the Company has obtained the property ownership certificate for the Lifetech Building. The Board decided that approximately 50% of the total gross floor area of the Lifetech Building was allocated as office premises for the Group's operational and administration purposes, and the remaining 50% of the total gross floor area was allocated for rental to external tenants.

In 2017, the Company entered into the lease agreements with tenants for Lifetech Building. For further details, please refer to the announcement of the Company dated 27 March 2018.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, there were no significant investments held by the Company for the year ended 31 December 2018, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at the date of this annual report.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this annual report, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2018.

CONTINGENT LIABILITIES

The Group did not have any contingent liabilities as of 31 December 2018.

FINANCIAL INSTRUMENT

As at 31 December 2018, the Group did not have any outstanding hedge contracts or financial derivative instruments.

CAPITAL EXPENDITURE

For the year ended 31 December 2018, 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 RMB114.2 million (31 December 2017: approximately RMB168.3 million).

FOREIGN EXCHANGE RISK

During the year ended 31 December 2018, the Group's operations were primarily based in the PRC and Europe. The revenue derived from Europe accounted for approximately 9.2% (2017: approximately 8.2%) of the total revenue of the Group. There were currency fluctuations among Euro, US Dollars, Indian Rupees and Hong Kong Dollars during the period, the Group's operational results and financial condition may be affected by changes in the exchange rates. As the Group reasonably arranges the currency structure, which effectively reduces foreign exchange risk, the Directors believe that there is no significant foreign exchange risk to the Group at the current stage. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the period. The Group will continuously monitor its foreign exchange exposure and will consider hedging of foreign currency risk should the need arise. Further discussion on our financial risk management objectives and policies is included in the section headed "Financial risk management objectives and policies" in Note 35(b) to the consolidated financial statements in this annual report.

CHARGES ON GROUP ASSETS

As at 31 December 2018, the Group did not have any charges on its assets.

CAPITAL COMMITMENT

As at 31 December 2018, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB12.1 million (2017: approximately RMB39.9 million). The decrease was mainly because the decoration of Lifetech Building was almost completed as at 31 December 2018.

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. Financial information related to these aspects is presented in Note 5 to the consolidated financial statements in this annual report.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 750 (31 December 2017: 590) full time employees and three executive Directors (31 December 2017: three). Total staff costs, including Directors' emoluments, amounted to approximately RMB205.0 million for the year 2018 (2017: approximately RMB101.7million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. In 2018, the amount of contributions to retirement benefits scheme was approximately RMB12.0 million (2017: approximately RMB9.7 million). Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used by the Group to reduce the existing level of contributions.

The Group's remuneration policies were determined by the performance, qualification and working experience of individual employee, as well as the results of the Group and the market conditions. The benefits provided by the Group to its employees include discretionary bonus, transportation and lunch subsidies, basic medical insurance, work injury insurance, unemployment insurance, team commercial accident insurance, team commercial medical insurance and share options to the employees. Discretionary bonus is linked to the performance of the Group as well as individual performance. A share option scheme (the "Share Option Scheme") was adopted for employees of the Group on 22 October 2011 which was subsequently amended by a unanimous written resolutions of the Board on 5 May 2015. In order to ensure that the Group's employees remain competitive in the industry, the Group also arranges training for its staff to enhance their skills and knowledge and provides degree promotion plan for employees of the key positions.

Lifetech considers its employees the key to sustainable business growth. We are committed to providing all employees with safe and harassment-free working environment with equal employment opportunities, reward management, training and career development. Workplace safety is a priority of the Company that, with due awareness of all employees throughout the year, the Company was able to maintain a high standard of health and safety measures in all company activities. The holding of outward bound training and kinds of sports activities strengthened the effective communication and cooperation between colleagues. We have a fair and effective performance appraisal system and incentive bonus schemes designed to motivate and reward employees at all levels to deliver their best performance and achieve business performance targets. For talent acquisition and continuous development, the Company offers graduate trainee programs as well as leadership and talent development programs for fresh talent with different academic backgrounds. Furthermore, to improve employees' health awareness, the Company arranges annual physical examination, and in addition to the social insurance, the Company also purchases commercial insurances, including the personal accident insurance and medical supplementary insurance.

The Company believes that direct and effective communication is essential to build up a good relationship between management and employees. Workers congress is one of the important ways of communication, the mailbox of President and the luncheon meeting with President get the voice of the staff in time, which are also the important channels for timely communication. The Company holds regular meetings and forums to brief employees on Company's development and to obtain their feedback and suggestions.

FUTURE PROSPECTS

The Group will keep strengthening its development in the year of 2019 by relying on its three core businesses, namely structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. We will reinforce and enhance the market position of existing core products by making full use of the advantages of academic promotion, so as to guarantee the Group's long-term stable growth in the future.

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

We established strategic partnership with ABG, which will guide us to explore investment opportunities in the global health industry and expand our business scope to include cancer detection and treatment technologies. We have confidence that our participation in the healthcare investment sector will bring us a new growth point with the close cooperation in the near future. Further, the Company believes in the great market potential in technologies for the screening, treatment and rehabilitation industries relating to malignancies, myocardial infarction, cerebral ischemic stroke and cranial nerve system diseases, therefore, the Company will explore the new investments in such industries to enable us to gain greater presence in the global market, and in line with the Company's strategic investment target in the global health industry.

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

ENVIRONMENT AND SUSTAINABILITY

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

For further details and related data analysis on the environmental, social performance of the Group, please refer to our 2018 Environmental, Social and Governance Report which will be published as a separate report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

To the best of the Directors' knowledge, information and belief on the date of this annual report, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

XIE Yuehui (謝粵輝), aged 49, is our chairman, Chief Executive Officer and our executive Director. Mr. XIE has served as the director of Lifetech Shenzhen since October 2000 and was promoted to serve as the chairman of Lifetech Shenzhen since 2005. During the period from 2007 to 2017, Mr. XIE was appointed as a director of 6 overseas subsidiaries of our Group and 4 PRC subsidiaries of our Group. Mr. XIE was appointed as a director of Dongguan LifeTech Medical Co., Ltd (東莞市先健醫療有限公司), a PRC subsidiary of the Group on 15 August 2018. Mr. XIE is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. XIE has about 28 years of experience in business management in the PRC, including over 16 years in the medical device industry. In June 2015, Mr. XIE was appointed as representative of the Sixth Shenzhen Municipal People's Congress. From 1991 to 1993, Mr. XIE served as the project manager of Eastern Tantalum Group (東方鉭業集團). From June 1993 to January 1994, Mr. XIE was the investment manager at a subsidiary of China Southern Securities (南方證券), and was responsible for project investment. From February 1994 to February 1996, Mr. XIE held the position of the deputy general manager at an investment branch of Bank of China, Jilin Province, and was responsible for managing futures investment projects. From February 1996 to December 1998, Mr. XIE served as the manager at the domestic trade department of Shenzhen Huihua Group (深圳市匯華集團), and was responsible for overall trade management. Since June 1998, Mr. XIE was a general manager at Shenzhen Huishibang Technology Company Limited (深圳市匯世邦科技有限公司) and was promoted to the chairman in 2000. During this time, Mr. XIE was responsible for overall business management. Mr. XIE graduated from Kunming Institute of Technology (昆明工學院) in July 1991 with a bachelor's degree in materials specialising in pressurized processing of metals (金屬壓力加工專業). He also obtained a master's degree in Business Administration from Tsinghua University in July 2006.

LIU Jianxiong (劉劍雄), aged 48, is our Vice President, Chief Financial Officer ("CFO"), Company Secretary and our executive Director. He was appointed as a non-executive Director on 2 March 2015 and was subsequently re-designated as an executive Director with effect from 27 March 2015. On 13 July 2017, he was promoted to serve as Vice President. Mr. LIU joined us in September 2010 and he has been appointed as a director of a number of the Group's subsidiaries, including LifeTech Scientific (Europe) Coöperatief U.A., LifeTech Scientific (Netherlands) B.V. and LifeTech Scientific (Hong Kong) Co., Ltd. since 2015. Mr. LIU has about 26 years of experience in the accounting field. He started his career as an auditor at Kwan Wong Tan & Fong (currently Deloitte Touche Tohmatsu) in 1993, and was primarily responsible for carrying out audits and consultancy work. Mr. LIU then continued to work with a number of multinational companies. From 1997 to 2001, he was the accounting services manager of Yantian International Container Terminal Company Limited (鹽田國際集裝箱碼頭有限公司). From 2001 to 2003, Mr. LIU was the financial controller of Shenzhen Schlumberger Electronic System Solution Co., Ltd. (深圳斯倫貝謝電子系統有限公司). From March 2007 to July 2007, Mr. LIU was the China financial controller of the China Light & Power Group renewable energy division. From December 2007 to February 2010, Mr. LIU was the Great China corporate controller of AnyDATA Group, and was responsible for financial management, accounts audit, tax planning, raising capital and preparation of financial accounts in accordance with accounting standards in PRC, U.S. and Hong Kong. He has been a member of the Association of Chartered Certified Accountants since 1997 and a registered tax agent since 1999. Mr. LIU graduated from Zhongshan University's faculty of physics with a major in modern physics technology in July 1990. He obtained a master's degree in business administration from University of Glamorgan in the United Kingdom in December 2004.

NON-EXECUTIVE DIRECTORS

JIANG Feng (姜峰), aged 56, was appointed as a non-executive Director on 1 April 2014. Mr. JIANG is currently vice president of China Association for Medical Devices Industry, chairman of China Strategic Alliance of Medical Devices Innovation, deputy director of Biomedical Engineering Education Steering Committee of the Ministry of Education (教育部生物醫學工程專業教育指導委員會), executive director of Chinese Society of Biomedical Engineering and Chinese Society for Biomaterials. Mr. JIANG is an independent non-executive director of Grandhope Biotech Co., Ltd. and Zhongzhu Healthcare Holding Co.,Ltd., companies listed on the Shenzhen Stock Exchange and Shanghai Stock Exchange, respectively. Mr. JIANG had been working as a clinician for 12 years before he left the hospital in 1997 to establish his own business. For his outstanding achievements, Mr. JIANG was considered to be special talent by SASAC and was chosen to be a leader of national large medicine and device companies for a long term, including as chairman and general manager of China National Pharmaceutical Group Corporation North West Company and China National Medical Equipment Co., Ltd.. During that period he was in charge of or participated in restructuring, mergers and acquisitions and transformation for listing of nearly 40 relevant companies. Mr. JIANG had been serving as general manager of China National Medical Equipment Co., Ltd for 9 years, during which he accomplished the substantial transformation of the enterprise from exhibition business to production and operation of device by establishing China's first Sino-foreign joint venture medical device distribution company and making it the largest domestic medical device distributor within 5 years. He had been president and standing vice president of China Association for Medical Devices Industry for 16 years, during which he visited and evaluated over a thousand of member enterprises. For around 9 years while being a chairman of China Strategic Alliance of Medical Devices Innovation, he assisted the science and technology department and local science and technology bureaus in assessing subjects of hundreds of medical device projects and conducting subsequent management. Benefiting from his long term work in the industry, Mr. JIANG is expert at the operation and management of medical companies and understands development trend of the industry, in particular, he has made experience in industrial innovation and international marketing. Since December 2013, Mr. JIANG was appointed as an independent non-executive director of Guangdong Baihe Medical Technology Co., Ltd. (廣東百合醫療科技有限公司). Since 8 November 2016, Mr. JIANG was appointed as an independent non-executive director of Hangzhou Kangji Medical Instrument Co., Ltd. for a term of three years. Mr. JIANG graduated from the Fourth Military Medical University with a bachelor degree in medicine in 1985 and received his doctoral degree of clinical surgery in 1995 from the Fourth Military Medical University. He obtained an EMBA degree from Tsinghua University in 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph (梁顯治), aged 64, was appointed as an independent non-executive Director with effect from 22 October 2011. Mr. LIANG has extensive experience in finance and accounting. From November 1993 to August 2001, Mr. LIANG served as the finance manager at Hong Kong International Terminals Limited for Yantian International Container Terminals, both being container terminal companies managed by the Hutchison Port Holdings Trust. From August 2001 to October 2005, Mr. LIANG held various positions at Skyworth Digital Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 751), including the group's financial controller and company secretary in charge of finance and MIS functions of the Group. From October 2005 to December 2008, Mr. LIANG was a director at Shenzhen Alclear Consulting Limited, a company engaging in financial, corporate management and investment consultancy services, and was responsible for developing accounting training in China. From October 2009 to September 2011, Mr. LIANG was the managing director of the financial planning and development department at United International College in Zhuhai, PRC, and was responsible for serving financial advisory and human resources management functions. From October 2011 to September 2012, Mr. LIANG served as special consultant on campus development at the College. He was the executive vice president of Finance of TWS Industrial (Holdings) Ltd. since October 2011, a private company engaged in battery production. He later worked as consultant in it from August 2013 to December 2013. He returned to full time teaching as an associate professor at UIC in September 2013. Mr. LIANG graduated from Hong Kong Open University with a bachelor's degree in language and translation in December 2007. Mr. LIANG obtained a master's degree in professional accounting from University of Texas, Austin in May 1981 and a diploma in business management from Hong Kong Baptist College in December 1977. Mr. LIANG has been a member of the Texas Society of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants (formerly known as "Hong Kong Society of Accountants") since June 1982 and Association of Certified Chartered Accountants (ACCA) since May 1982. On 19 February 2013, Mr. LIANG was appointed as an independent non-executive director of North Asia Strategic Holding Limited, a company listed on GEM (Stock Code: 8080) for a term of three years. He was reappointed as independent non-executive director of North Asia Strategic Holding Limited for another three years commencing 19 February 2016. Mr. LIANG was also appointed on 6 June 2014 for a one year term as an independent non-executive director of China Animal Healthcare Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 940). On 26 June 2015, Mr. LIANG ceased to be an independent non-executive director of China Animal Healthcare Limited.

WANG Wansong (王皖松), aged 49, was appointed as an independent non-executive Director on 29 January 2016. Mr. WANG has an extensive experience in plans establishment, and policies formulation and implementation for the High-Tech industrial development and construction in Shenzhen, as well as in technological innovation, achievements transformation, and projects implementation and co-ordination for high-tech bio-pharmaceutical industry and medical device industry. From 1997 to 2014, Mr. WANG worked at National Development and Reform Commission, Shenzhen City (深圳發展改革委員會). Prior to that, Mr. WANG worked in Shenzhen Xinhuayu Marine Environmental Technology Engineering Co., Ltd.* (深圳新華宇海洋環境技術工程公司) from 1992 to 1997, and in Jiujiang Environmental Protection Bureau, Jiangxi province (江西省九江市環境保護局) from 1991 to 1992. In July 2018, Mr. WANG ceased to be a senior researcher at the State High-Tech Industrial Innovation Center in Shenzhen (深圳市國家高技術產業創新中心). Since August 2018, Mr. WANG has been appointed as a senior researcher of Shenzhen Zerun Health Technology Innovation Center (深圳市至元灣區健康科技協同創新中心). Mr. WANG holds a bachelor degree in Biology from the Peking University.

ZHOU Luming (周路明), aged 60, was appointed as an independent non-executive Director with effect from 1 April 2014. Mr. ZHOU is currently a dean of the Southern Institute of Science and Technology of Space. He was a teacher in South-Central University for Nationalities from July 1984 to May 1992, during which his professional article Systems Science (系統科學) was published with release of certain papers. From May 1992 to September 2001, he worked in Shenzhen Technology Bureau (深圳市科技局) as head of the compliance division, director of general office and head of the planning division, taking charge of the formulation of a series of major legislations and research on decision-making work. Mr. ZHOU acted as deputy dean of Research Institute of Tsinghua University in Shenzhen from September 2001 to May 2004. He was deputy director of Shenzhen Technology Bureau from May 2004 to May 2008. During the period from 2005 to 2008, Mr. ZHOU presided over series of study on innovative cities. From 2008 to March 2014, when he served as chairman of Shenzhen Science and Technology Association, he established a great number of private-funded research institutes with international advanced level, which involved metamaterial, new energy and precise manufacturing. His experience in directing the restructuring of Shenzhen Science and Technology Association was highly appreciated by major leaders of China Association of Science and Technology with promotion in the system of the association of science and technology. Mr. ZHOU graduated from the Faculty of Physics of Central China Normal University in 1984, and obtained his EMBA degree after graduating from Tsinghua University in 2005.

SENIOR MANAGEMENT

XIE Yuehui (謝粵輝): Please refer to the section headed "Directors — Executive Director" above for the details of his biography.

LIU Jianxiong (劉劍雄): Please refer to the section headed "Directors — Executive Directors" above for the details of his biography.

CORPORATE GOVERNANCE PRACTICES

The Company has applied the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance and confirms that it has complied with all material code provisions and most of the recommended best practices under the CG Code throughout the year ended 31 December 2018, save for the deviations from certain code provisions which are explained in the relevant paragraphs in this corporate governance report. The Company has committed to making necessary arrangements to comply with all the code provisions.

The Company will continue to review and enhance its corporate governance to ensure that it will continue to meet the requirements of the CG Code and the rising expectations of shareholders and investors.

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 the listed securities of the Company by the Directors.

Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standards set out in the Model Code during the year ended 31 December 2018. Details of the shareholding interests held by the Directors as at 31 December 2018 are set out on page 37 of this annual report.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2018.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors, and changes to the Board members during 2018 and up to the date of this annual report are as follows:

Executive Directors

XIE Yuehui *(Chairman and Chief Executive Officer)*
ZHANG Deyuan *(President and Chief Technology Officer)* (resigned on 28 March 2019)
LIU Jianxiong *(Vice President, Chief Financial Officer and Company Secretary)*

Non-executive Directors

CLEARY Christopher Michael (resigned on 25 May 2018)
MONAGHAN Shawn Del (resigned on 25 May 2018)
JIANG Feng

Independent Non-executive Directors

LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

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

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

During the year ended 31 December 2018, the Board complied at all times with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual confirmation of his independence from each of the independent non-executive Directors and considers that their independence is in compliance with the Listing Rules as at the date of this annual report.

During the year ended 31 December 2018, four regular Board meetings were held mainly for reviewing and approving the financial and operating performance.

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

Name of Directors	Attendance/ Number of Board meetings held	Attendance/ Number of general meetings held
EXECUTIVE DIRECTORS		
XIE Yuehui *(Chairman and Chief Executive Officer)*	4/4	2/2
ZHANG Deyuan *(President and Chief Technology Officer)* (resigned on 28 March 2019)	3/4	2/2
LIU Jianxiong *(Vice President, Chief Financial Officer and Company Secretary)*	4/4	2/2
NON-EXECUTIVE DIRECTORS		
CLEARY Christopher Michael (resigned on 25 May 2018)	1/1	N/A
MONAGHAN Shawn Del (resigned on 25 May 2018)	1/1	N/A
JIANG Feng	1/4	1/2
INDEPENDENT NON-EXECUTIVE DIRECTORS		
LIANG Hsien Tse Joseph	4/4	2/2
WANG Wansong	3/4	2/2
ZHOU Luming	3/4	1/2

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all Directors at least 14 days before the meetings to give all Directors an opportunity to attend.

For regular Board and committee meetings, all agendas, board papers, together with all applicable, complete and reliable information will be sent to all the Directors or committees at least three days before a meeting is held. All Directors may propose any business to be included in the agenda of the Board or committee meetings and contact Company Secretary to ensure full compliance with all of the Board's procedures and applicable regulations.

In general, the senior management members shall attend all the regular Board meetings and, if necessary, other Board and committee meetings to advise on the Company's business development, financial and accounting matters, statutory and regulatory compliance, corporate governance as well as other significant issues. The Board may, if appropriate, authorize the Directors to seek independent and professional advice at the expense of the Company. Matters discussed and resolved at Board meetings will be recorded in detail by the Company Secretary who shall prepare and file the minutes or resolutions. Generally, draft minutes of Board meeting shall be issued to the Directors within reasonable time for their comments after such meeting is held, and the final version will be open for inspections by the Directors.

The articles of association of the Company (the "Articles of Association") contain provision requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or their associates have a material interest and this provision has always been complied with.

Continuous Professional Development for Directors

During the year ended 31 December 2018, the Directors participated in training related to the corporate governance and Listing Rules organized by the Company's Hong Kong legal advisor, and the Company has kept the relevant training records.

A summary of training received by the Directors for the year ended 31 December 2018 according to the records provided by the Directors is as follows:

Name of Directors	Participated in continuous professional development[1]
Executive Directors:	
XIE Yuehui *(Chairman and Chief Executive Officer)*	√
ZHANG Deyuan *(President and Chief Technology Officer)* (resigned on 28 March 2019)	√
LIU Jianxiong *(Vice President, Chief Financial Officer and Company Secretary)*	√
Non-executive Directors:	
CLEARY Christopher Michael (resigned on 25 May 2018)	N/A
MONAGHAN Shawn Del (resigned on 25 May 2018)	N/A
JIANG Feng	√
Independent non-executive Directors:	
LIANG Hsien Tse Joseph	√
WANG Wansong	√
ZHOU Luming	√

1. Attended training/seminar/conference arranged by the Company or other external parties or read relevant material.

Corporate Governance Functions

The Board approved and adopted the updated Terms of Reference of the Board on Corporate Governance Functions with effect from 8 November 2013. For the year ended 31 December 2018, the Company complied with code provision D.3.1 of the CG Code.

Chairman and Chief Executive Officer

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

Although the dual roles of Chairman and Chief Executive Officer is a deviation from the code provision A.2.1 of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. XIE Yuehui provides the Company with strong and consistent leadership while allowing effective and efficient planning and implementation of business decisions and strategies.

Under the leadership of Mr. XIE Yuehui, the Board is responsible for the approval and supervision of the Group's general development strategy, the sanction of the annual budget and business plans, the consent of material investment projects related to the Group's business development, the evaluation of the Group's performance and the supervision of the work of the management, and ensures that the Board acts in the best interests of the Group, operates effectively and performs the necessary duties, as well as discuss all the significant and appropriate issues of the Company's business in a timely manner. All the Directors are entitled to propose the inclusion of any item in the agenda of the Board meeting for appropriate discussion. The Chairman will ensure all the Directors are provided with sufficient and reliable information in a timely manner required for necessary analysis based on their expertise.

As the Chief Executive Officer of the Company, Mr. XIE Yuehui has delegated sufficient authority for the operation and management of the Group's business to the senior management members, who shall be in-charge of the daily management of the Group in every aspect, including the consistent implementation of the Board's resolutions, and be accountable to the Chief Executive Officer for the operations of various aspects of the Group's business, while the Chief Executive Officer shall be accountable to the Board for the Group's operations as a whole.

Non-executive Directors and independent non-executive Directors

Code provision A.4.1 provides that non-executive Directors should be appointed for a specific term and subject to re-election. The Company's non-executive Directors have been appointed for an initial term of three years and the Company's independent non-executive Directors have been appointed for an initial term of one year. On 1 April 2017, all of the appointments of the Company's independent non-executive Directors were renewed for a term of three years. All of the Company's non-executive Directors and independent non-executive Directors in position as at 31 December 2018 are subject to re-election.

COMMITTEES

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

Audit Committee

The Board established an audit committee (the "Audit Committee") on 22 October 2011 in compliance with Rule 5.28 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and with updated written terms of reference adopted on 8 November 2013 in accordance with code provision C.3.3 of the CG Code. In view of the amendments to the CG Code effective for the accounting period beginning on 1 January 2016, the Company adopted a revised terms of reference of the Audit Committee on 30 December 2015 in order to comply with certain changes related to the risk management and internal control section of the CG Code.

As at the date of this annual report, the Audit Committee is in compliance with Rules 3.21 to 3.23 of the Listing Rules and consists of three members, all of whom are independent non-executive Directors, namely, Mr. LIANG Hsien Tse Joseph, with appropriate professional qualifications who serves as the chairman of the Audit Committee, Mr. ZHOU Luming and Mr. WANG Wansong.

The primary duties of the Audit Committee are set out in the updated terms of reference which include assisting the Board with providing an independent view of the effectiveness of our financial reporting process, risk management and internal control systems, overseeing the audit process and performing other duties and responsibilities as assigned by the Board.

During the year ended 31 December 2018, the Audit Committee held two meetings and performed the following duties:

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

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

(3) met with the external auditors and participated in the re-appointment and assessment of the performance of the external auditors.

The particulars of the attendance of the Audit Committee are set forth as follows:

Name of the members of the Audit Committee	Number of meetings attended/ convened
Chairman:	
Mr. LIANG Hsien Tse Joseph	2/2
Members:	
Mr. ZHOU Luming	2/2
Mr. WANG Wansong	2/2

The Group's annual audited results for the year ended 31 December 2018 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results are complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Remuneration Committee

The Board has established a remuneration committee (the "Remuneration Committee") on 22 October 2011 in compliance with Rules 5.34 to 5.36 of the GEM Listing Rules, with updated written terms of reference adopted on 8 November 2013 in accordance with code provision B.1.2 of the CG Code. As at the date of this annual report, the Remuneration Committee is in compliance with Rules 3.25 to 3.27 of the Listing Rules and consists of three members, the majority of whom are independent non-executive Directors. Mr. WANG Wansong, an independent non-executive Director, served as the chairman of the Remuneration Committee while Mr. LIANG Hsien Tse Joseph, an independent non-executive Director, and Mr. XIE Yuehui, an executive Director, served as members of the Remuneration Committee.

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

The Remuneration Committee held two meetings during the year ended 31 December 2018. The particulars of the attendance of the Remuneration Committee are set forth as follows:

Name of the members of the Remuneration Committee	Number of meetings attended/ convened
Chairman:	
Mr. WANG Wansong	2/2
Members:	
Mr. LIANG Hsien Tse Joseph	1/2
Mr. CLEARY Christopher Michael (resigned on 25 May 2018)	0/1
Mr. XIE Yuehui (appointed on 25 May 2018)	1/1

Nomination Committee

The Board established a nomination committee (the "Nomination Committee") on 22 October 2011, with updated written terms of reference adopted on 8 November 2013 in accordance with code provision A.5.2 of the CG Code. As at the date of this annual report, the Nomination Committee consists of three members, the majority of whom are independent non-executive Directors, namely Mr. ZHOU Luming, an independent non-executive Director, who serves as the chairman of the Nomination Committee, Mr. XIE Yuehui, an executive Director, and Mr. LIANG Hsien Tse Joseph, an independent non-executive Director.

The primary functions of the Nomination Committee are set out in its updated terms of reference which include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board on the appointment or re-appointment of Directors.

The Board adopted a board diversity policy on 19 August 2013. The Company recognizes the benefits of having a diverse Board, and considers diversity at Board level essential in achieving a sustainable and balance development. For recommending suitable candidates to the Board, the Nomination Committee will take into consideration merit of the candidates, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee held one meeting during the year ended 31 December 2018 to identify and make recommendations to the Board on the selection of individuals nominated for directorship, and considered the qualifications of the retiring Directors standing for re-election at the annual general meeting. The particulars of the attendance of the Nomination Committee are set forth as follows:

Name of the members of the Nomination Committee	Number of meeting attended/ convened
Chairman:	
Mr. ZHOU Luming	1/1
Members:	
Mr. XIE Yuehui	1/1
Mr. LIANG Hsien Tse Joseph	1/1

The Nomination Committee has recommended the re-appointment of the Directors standing for re-election at the forthcoming annual general meeting of the Company.

REMUNERATION OF EXTERNAL AUDITOR

For the year ended 31 December 2018, the Group's external auditor, Deloitte Touche Tohmatsu, provided annual audit service and the Continuing Connected Transactions ("CCT") report service to the Group, and the total fees paid/payable in respect of annual audit service and CCT report service were approximately RMB1.8 million and RMB0.03 million. There was no non-audit service provided in the year 2018.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the external auditor. Such appointments, re-appointments and removals are subject to the approval of the Board and shareholders at the general meetings of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year ended 31 December 2018, the Board has discussed and reviewed the risk management and internal control systems and the relevant proposal made by senior management in order to ensure an adequate and effective systems of risk management and internal control. The Board will continue to assess the effectiveness of risk management and internal controls by considering reviews presented by the Audit Committee, executive management and the Internal Compliance Coordinators of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2018, which give a true and fair view of the results and financial position of the Group. The Directors consider that in preparing financial statements, the Group ensures to meet statutory requirements and applies appropriate policies that are consistently adopted and makes judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

The Directors are responsible for ensuring that proper accounting records are kept so that the Group could prepare financial statements in accordance with statutory requirements and the Group's accounting policies. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities within the Group.

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

The statement of the independent auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company and the Group is set out in the Independent Auditors' Report on pages 48 to 53 of this annual report.

COMPANY SECRETARY

Mr. LIU Jianxiong was appointed as the Company Secretary of the Company on 22 October 2011. Mr. LIU has over 26 years of experience in the accounting field. During the year ended 31 December 2018, Mr. LIU undertook over 24 hours of relevant professional training to update his skills and knowledge in corporate governance and compliance issues. The biographical information of Mr. LIU is set out in the "Biographical Details of Directors and Senior Management" section on page 17 of this annual report.

SHAREHOLDERS' RIGHTS

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

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. Except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands, all resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules, poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

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

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

Shareholders may at any time send their enquiries and concerns to the Board in writing to the Company's principal place of business in Hong Kong at 31/F, 148 Electric Road, North Point, Hong Kong.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2018, the Company has not made any changes to its Memorandum and Articles of Association.

ANNUAL GENERAL MEETING

The Company's annual general meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. It has been the practice for all the Directors (including the Chairman) and the chairmen of the Audit Committee, the Remuneration Committee and the Nomination Committee or, in their absence, other members of the respective committee together with the external auditor of the Company to attend the annual general meeting to answer shareholders' questions.

DIRECTORS' REPORT

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company while its subsidiaries are principally engaged in the developing, manufacturing and marketing of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. For further details on the principal activities of its subsidiaries, please refer to Note 38 to the consolidated financial statements.

Details of the activities during the year ended 31 December 2018 as required by Schedule 5 to the Companies Ordinance, including a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and the Group's environmental policies and performance, as well as compliance with relevant laws and regulations which have a significant impact on the Company, are set out under the section "Management Discussion and Analysis" on pages 7 to 16 of this annual report.

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the sections headed "Management Discussion and Analysis" respectively on pages 7 to 16 of this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the section "Management Discussion and Analysis" on page 14 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the year 2018, if any, can also be found in the above-mentioned sections and the Notes to the consolidated financial statements. The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement from pages 5 to 6 of this annual report. An account of the Company's relationships with its key stakeholders is included in the section headed "Employees and Remuneration Policy" on pages 15 to 16 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2018 and the state of affairs of the Group at that date are set out in the consolidated financial statements.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five years is set out in the financial summary on page 4 of this annual report. The summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2018, sales to the Group's five largest customers accounted for approximately 25.2% of the Group's total sales and sales to the largest customer included therein amounting to approximately 6.8%.

The aggregate purchases during the year attributable to the Group's five largest suppliers were approximately 42.5% of the Group's total purchases and purchases from the largest supplier included therein amounting to approximately 14.7%.

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year of 2018 are set out in Note 28 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 2018 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2018, the Company's reserves available for distribution to its owners of the Company amounted to approximately RMB377.4 million (2017: approximately RMB271.3 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2018 are set out in Note 14 to the consolidated financial statements in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

Other than the service contracts or appointment letters of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

DIRECTORS

The Directors during the year and up to the date of this Directors' report are as follows:

Executive Directors

XIE Yuehui *(Chairman and Chief Executive Officer)*
ZHANG Deyuan *(President and Chief Technology Officer)* (resigned on 28 March 2019)
LIU Jianxiong *(Vice President, Chief Financial Officer and Company Secretary)*

Non-executive Directors

CLEARY Christopher Michael (resigned on 25 May 2018)
MONAGHAN Shawn Del (resigned on 25 May 2018)
JIANG Feng

Independent Non-executive Directors

LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

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

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

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

DISCLOSURE OF INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

DIRECTOR'S SERVICE CONTRACTS OR APPOINTMENT LETTERS

Mr. XIE Yuehui, an executive Director, Chairman of the Board and Chief Executive Officer, has signed a service contract with the Company for an initial term of three years commencing from 10 November 2011, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party forthcoming not less than three months' notice in writing. On 10 November 2014 and 10 November 2017, Mr. XIE Yuehui and the Company renewed the service contract which is subject to manual renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

Mr. LIU Jianxiong has been appointed as an executive Director and entered into a service contract with the Company for an initial term of three years commencing from 27 March 2015 until terminated by either party giving to the other party not less than three months' notice in writing. On 27 March 2018, Mr. LIU Jianxiong and the Company renewed the service contract which is subject to manual renewal every three years on the same terms and conditions.

Mr. JIANG Feng has been appointed as a non-executive Director and entered into a service contract with the Company for an initial term of three years commencing from 1 April 2014, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing. On 1 April 2017, Mr. JIANG Feng and the Company renewed the appointment letter which is subject to manual renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

Mr. LIANG Hsien Tse Joseph has been appointed as an independent non-executive Director and entered into a service contract with the Company for an initial term of one year commencing from 10 November 2011, while Mr. ZHOU Luming has been appointed as an independent non-executive Director and entered into a service contract with the Company for an initial term of one year commencing from 1 April 2014, all of which are subject to automatic renewal on an annual basis on the same terms and conditions until terminated by either party giving to the other party not less than one month's notice in writing. On 10 November 2014, each of Mr. LIANG and Mr. ZHOU renewed the service contracts with the Company respectively which is subject to manual renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing. On 1 April 2017, each of Mr. LIANG and Mr. ZHOU renewed the appointment letters with the Company respectively which is subject to manual renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

Mr. WANG Wansong has been appointed as an independent non-executive Director and entered into an appointment letter with the Company for an initial term of three years commencing from 29 January 2016. On 1 April 2017, Mr. WANG Wansong and the Company renewed the appointment letter which is subject to manual renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract or appointment letter with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

EMOLUMENT POLICY

During the year ended 31 December 2018, the Remuneration Committee reviewed the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Company, which are determined with reference to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as an incentive for directors and eligible employees. Details of the scheme are set out in the section headed "Share Option Scheme" below.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and five individuals with the highest emoluments are set out in Note 10 to the consolidated financial statements.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation letter to confirm their compliance with the independence requirement under Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent in accordance with the guidelines set out in the Listing Rules.

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

As at 31 December 2018, the interests and short positions of the Directors and chief executive 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 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 in 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 as set out in Appendix 10 to the Listing Rules, were as follows:

(a) Long positions in ordinary shares and underlying shares of the Company

Name of Directors/ chief executive	Nature of interest	Number of shares	Percentage of the Company's issued share capital
XIE Yuehui	Interest of controlled corporation and beneficial owner	834,782,928[1]	19.25%
ZHANG Deyuan (resigned on 28 March 2019)	Beneficial owner	120,655,240[2]	2.78%
LIU Jianxiong	Beneficial owner	49,620,000[3]	1.14%

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 on 5 May 2015, which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

(c) 33,268,000 options granted to Mr. XIE Yuehui on 10 May 2018, which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

2: These interests represented:

(a) 63,135,240 shares held by Mr. ZHANG Deyuan, our President, executive Director and Chief Technology Officer; and

(b) 18,800,000 options granted to Mr. ZHANG Deyuan on 5 May 2015, which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

(c) 38,720,000 options granted to Mr. ZHANG Deyuan on 10 May 2018, which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

3: These interests represented:

(a) 8,000,000 shares held by Mr. LIU Jianxiong, our Vice President, executive Director, Chief Financial Officer and company secretary; and

(b) 16,800,000 options granted to Mr. LIU Jianxiong on 5 May 2015, which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

(c) 24,820,000 options granted to Mr. LIU Jianxiong on 10 May 2018, which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

Save as disclosed above, as at 31 December 2018, so far as is known to any Directors or chief executives of the Company, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) were required 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 31 December 2018, other than the interests of a Director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short position in the shares, underlying shares and debentures of the Company and 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 provisions of Divisions 2 and 3 of Part XV of the SFO or 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 share capital of the Company, were as follows:

(a) Long positions in shares of the Company

Name of Shareholder	Number of shares	Capacity	Percentage of the Company's issued share capital
Xianjian Advanced Technology Limited *(Note 1)*	781,914,928	Beneficial owner	18.03%
Wellington Investment Advisors Holdings LLP *(Note 2)*	219,195,250	Interest of controlled corporation	5.05%
Wellington Group Holdings LLP *(Note 2)*	219,195,250	Interest of controlled corporation	5.05%
Wellington Management Group LLP *(Note 2)*	219,195,250	Interest of controlled corporation	5.05%
Synergy Summit Limited *(Note 3)*	722,000,000	Beneficial owner	16.65%
China Everbright Venture Capital Limited *(Note 3)*	722,000,000	Interest of controlled corporation	16.65%

(a) Long positions in share of the Company - *continued*

Name of Shareholder	Number of shares	Capacity	Percentage of the Company's issued share capital
China Everbright Limited *(Note 3)*	922,000,000	Interest of controlled corporation	21.26%
China Everbright Holdings Company Limited *(Note 3)*	922,000,000	Interest of controlled corporation	21.26%
Honorich Holdings Limited *(Note 3)*	922,000,000	Interest of controlled corporation	21.26%
Datten Investments Limited *(Note 3)*	922,000,000	Interest of controlled corporation	21.26%
China Everbright Group Ltd. *(Note 3)*	922,000,000	Interest of controlled corporation	21.26%
Central Huijin Investment Ltd. *(Note 3)*	922,000,000	Interest of controlled corporation	21.26%
Eternal Space Limited *(Note 4)*	300,000,000	Beneficial owner	6.92%
TCT (BVI) Limited *(Note 4)*	300,000,000	Interest of controlled corporation	6.92%
The Core Trust Company Limited *(Note 4)*	300,000,000	Interest of controlled corporation	6.92%

Note 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.

Note 2: The issued share capital of the Company is held as to 3.22% and 1.84% by Wellington Management Hong Kong Ltd. and Wellington Management Company LLP, respectively. The issued share capital of Wellington Management Hong Kong Ltd. is wholly controlled by Wellington Management Global Holdings, Ltd.. The issued share capital of Wellington Management Company LLP is controlled as to 99.99% by Wellington Investment Advisors Holdings LLP. The issued share capital of Wellington Management Global Holdings, Ltd. is controlled as to 94.10% by Wellington Investment Advisors Holdings LLP, which in turn is controlled as to 99.99% by Wellington Group Holdings LLP. The issued share capital of Wellington Group Holdings LLP is controlled as to 99.70% by Wellington Management Group LLP.

Note 3: The issued share capital of the Company is held as to 16.65% and 4.61% by Synergy Summit Limited and China Everbright Financial Investments, respectively. The entire issued share capital of Synergy Summit Limited is wholly controlled by China Everbright Venture Capital Limited, which in turn is wholly owned by China Everbright Limited. The entire issued share capital of China Everbright Financial Investments Limited is wholly controlled by Emporium (HK) Limited, which in turn is wholly owned by China Everbright Limited. China Everbright Limited is controlled as to 49.39% by Honorich Holdings Limited, which in turn is wholly owned by Datten Investments Limited. Datten Investments Limited is wholly owned by China Everbright Holdings Company Limited, which in turn is wholly owned by China Everbright Group Ltd.. China Everbright Group Ltd. is controlled as to 55.67% by Central Huijin Investment Ltd..

Note 4: The issued share capital of Eternal Space Limited is wholly owned by TCT (BVI) Limited, which in turn is wholly owned by The Core Trust Company Limited.

Save as disclosed above, as at 31 December 2018, the Directors have not been notified by any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the details as disclosed under the heading "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares 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.

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 of the Company from GEM of the Stock Exchange to the Main Board of the Stock Exchange 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.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to the Eligible Participants (as defined below) as incentives or rewards for their contribution to the growth of our Group and to provide our Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may at its discretion grant options to any full-time or part-time employees, Directors (including executive, non-executive or independent non-executive) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributor, contractor, supplier, service provider, agent, customer and business partner of our Company and/or any of our subsidiaries (collectively the "Eligible Participants").

3. Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group must not, in aggregate, exceed 10% of the issued share capital of our Company as at the Listing Date (the "Scheme Mandate Limit") unless Shareholders' approval has been obtained. Any options lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of our Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 400,000,000 shares, being 10% of the total issued shares of the Company as at the Listing Date.

4. **Maximum entitlement of each participant**

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

5. **Offer period and amount payable for options**

An offer of grant of an option shall remain open for acceptance by the Eligible Participant concerned for such period as determined by the Board, which period shall not be more than fourteen (14) days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the 22 October 2011 or after the Share Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HK$1.00 to our Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price.

6. **Minimum period for which an option must be held before it can be exercised**

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

7. **Basis of determining the subscription price**

The subscription price for shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board shall determine, provided that such price shall be at least the highest of:

(i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option;

(ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the date of offer of the option; and

(iii) the nominal value of a share.

8. **Remaining Life of the Share Option Scheme**

Subject to the fulfilment of the conditions of the Share Option Scheme and the earlier termination by Shareholders' resolution in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from 22 October 2011, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

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 period from 1 January 2018 to 31 December 2018:

					Number of Shares				
Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 1 January 2018	Exercised during the year ended 31 December 2018	Cancelled/ Lapsed during the year ended 31 December 2018	Outstanding as at 31 December 2018
Directors/Chief Executives									
Mr. XIE Yuehui	5 May 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
	10 May 2018	20% of options on 10 May 2019, 2020, 2021, 2022 and 2023 respectively	10 years from the date of grant	HK$2.630	33,268,000	–	–	–	33,268,000
Sub-total					52,868,000	19,600,000	–	–	52,868,000
Mr. ZHANG Deyuan (resigned on 28 March 2019)	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	18,800,000	18,800,000	–	–	18,800,000
	10 May 2018	20% of options on 10 May 2019, 2020, 2021, 2022 and 2023 respectively	10 years from the date of grant	HK$2.630	38,720,000	–	–	–	38,720,000
Sub-total					57,520,000	18,800,000	–	–	57,520,000
Mr. LIU Jianxiong	5 May 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
	10 May 2018	20% of options on 10 May 2019, 2020, 2021, 2022 and 2023 respectively	10 years from the date of grant	HK$2.630	24,820,000	–	–	–	24,820,000
Sub-total					41,620,000	16,800,000	–	–	41,620,000

Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 1 January 2018	Number of Shares: Exercised during the year ended 31 December 2018	Cancelled/ Lapsed during the year ended 31 December 2018	Outstanding as at 31 December 2018
Other Grantees									
Aggregate of other Grantees	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	104,800,000	54,994,800	(6,812,400)	(3,578,400)	44,604,000
	10 May 2018	20% of options on 10 May 2019, 2020, 2021, 2022 and 2023 respectively	10 years from the date of grant	HK$2.630	104,472,000	–	–	(1,600,000)	102,872,000
	29 August 2018	20% of options on 29 August 2019, 2020, 2021, 2022 and 2023 respectively	10 years from the date of grant	HK$2.060	5,400,000	–	–	–	5,400,000
Sub-total					214,672,000	54,994,800	(6,812,400)	(5,178,400)	152,876,000
Total					366,680,000	110,194,800	(6,812,400)	(5,178,400)	304,884,000

SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 28 December 2018. The objectives of the Share Award Scheme are (i) to recognise and motivate the contributions by certain Eligible Participants and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants.

The Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No Shareholders' approval is required to adopt the Share Award Scheme. As at 31 December 2018, no Share Award has been granted to any Eligible Participant.

On 28 December 2018, the Company, Eternal Space Limited (the "Purchaser", also a wholly-owned subsidiary of The Core Trust Company Limited (the "Trustee")), the Trustee and Synergy Summit Limited (the "Vendor"), entered into a sale and purchase agreement (the "Agreement"). Pursuant to the Agreement and subject to the approval by the shareholders of the Company, the Purchaser, as instructed by the Company, conditionally agreed to purchase from the Vendor not more than 300,000,000 ordinary shares of the Company for the purpose of the Share Award Scheme. For details of the Agreement, please refer to the announcement of the Company dated 28 December 2018 and the circular of the Company dated 7 March 2019. The Agreement was approved by the shareholders of the Company pursuant to the passing by poll in an extraordinary general meeting of the Company on 22 March 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the year ended 31 December 2018.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2018 or at any time during the year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

During the year ended 31 December 2018, permitted indemnity provision as defined in the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) was in force for indemnity against liability incurred by Directors, to a third party.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the period from 1 January 2018 to 4 May 2018, Medtronic was a substantial shareholder of the Company and hence a connected person (as defined in the Listing Rules) of the Company, so the transactions as disclosed below constitute connected transaction or continuing connected transaction of the Company as defined under Chapter 14A of the Listing Rules.

On 5 May 2018, Medtronic disposed all of its equity securities in the company and thus ceased to be a substantial shareholder, connected person and related party of the Company since then.

New Transaction Agreements

To expand the alliance to include pacemaker and cardiac lead products to be manufactured and commercialized in China for the China market, the Company, by itself or through its affiliates, entered into the "New Transaction Agreements". Under the New Transaction Agreements, Medtronic and its affiliates will provide the Company or its affiliates with (i) licenses to know-how and other intellectual property; (ii) certain consulting services; (iii) certain 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.

For the year ended 31 December 2018, the transaction amount under the New Transaction Agreements was approximately RMB1,193,000 (2017: approximately RMB5,596,000), where the relevant annual cap was RMB47,700,000.

Fourth Supplemental Agreement Relating to the Distribution Agreements

On 20 September 2016, the Company, Beijing PerMed, and Medtronic entered into the Fourth Supplemental Agreement to, among other things, terminate the distribution rights of Medtronic in relation to the Supplemental Products under the Distribution Agreements. Under the Fourth Supplemental Agreement, the terms of the Distribution Agreements have been modified by terminating the arrangements relating to the Supplemental Products in the Territory with effect from the date of the Fourth Supplemental Agreement. For further details, please refer to the Company's announcement dated 20 September 2016.

Pursuant to the Fourth Supplemental Agreement, the distribution rights of Medtronic in relation to the Supplemental Products under the Second Supplemental Distribution Agreement have been terminated with effect from the date of 20 September 2016. Since then, no transaction was conducted under the Second Supplemental Distribution Agreement.

Services Agreements

The Services Agreements involve an aggregate service fee of USD5.0 million and an additional fee of USD3.0 million pursuant to the Second Supplemental Services Agreement, which was approved by independent shareholders in the extraordinary general meeting held on 3 April 2014, with term of two years from the First Tranche Completion Date (as defined in the Company's circular dated 18 March 2014). Pursuant to the Services Agreements, Medtronic will provide the Company with the services, which comprise, among other things, consultative services with respect to certain internal operations, quality systems and product development processes of the Company. As at 31 December 2015, all the above service fees have been paid to Medtronic.

The Company shall pay to Medtronic, on a semi-annual basis, a royalty equal to 4% of the incremental sales revenue achieved by the Group, subject to a cumulative cap of RMB300,000,000 provided however that, in the event any person other than Medtronic holds an interest of 50% or more in the Shares in the Company, such cumulative cap shall be increased to RMB600,000,000. The Company's obligation to pay the royalty shall terminate upon Medtronic holding more than 50% in the issued share capital of the Company on a fully-diluted basis.

For the year ended 31 December 2018, the royalty fee under the Services Agreements was approximately RMB4,264,000 (2017: approximately RMB9,106,000) and, as at 31 December 2018, the cumulative royalty fee under the Services Agreement was approximately RMB35,730,000, which did not exceed the relevant cumulative cap of RMB300,000,000.

Related party transaction

In 2018, the related party transactions as set out in the Note 37 to the consolidated financial statements in this annual report (other than the above-mentioned) are not "connected transactions" or "continuing connected transactions" of the Company. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules, where applicable.

Annual Review

The independent non-executive Directors have reviewed the continuing connected transactions under the New Transaction Agreements, the Distribution Agreements and the Services Agreements and they confirm that the transactions in 2018 were entered into:

(1) in the ordinary and usual course of business of the Group;

(2) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Company than terms available to or from (as appropriate) independent third parties; and

(3) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company, Deloitte Touche Tohmatsu, was engaged to report on the continuing connected transactions under New Transaction Agreements, the Distribution Agreements, the Fourth Supplemental Agreement and the Services Agreements disclosed above in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has confirmed the relevant matters stated in Rule 14A.56 of the Listing Rules and a copy of the relevant confirmation letter has been provided to the Board and the Stock Exchange.

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

During the year ended 31 December 2018, the Company repurchased 7,710,000 of the Company's listed securities.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2018 and save as disclosed in the Prospectus, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

BANK BORROWINGS

The Group has recorded bank borrowings of approximately RMB24.0 million as at 31 December 2018 (2017: nil).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conducts for dealings by Directors in the listed securities of the Company. Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standard as set out in the Model Code during the year ended 31 December 2018.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2018.

CORPORATE GOVERNANCE

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

AUDITORS

The consolidated financial statements in this annual report have been audited by Deloitte Touche Tohmatsu. There has been no change in the auditors of the Company during the year ended 31 December 2018. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

XIE Yuehui

Chairman, Executive Director and Chief Executive Officer

28 March 2019

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

To the Shareholders of Lifetech Scientific Corporation
(incorporated in Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of LifeTech Scientific Corporation (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 48 to 142, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs	
We identified the capitalisation of development costs as a key audit matter due to its significance to the consolidated financial statements and the significant degree of management judgement involved to determine the expenditure to be capitalised. As disclosed in note 17 to the consolidated financial statements, the carrying amount of the Group's development cost is RMB156,136,000 as at 31 December 2018. The Group capitalises significant costs incurred for the development of certain products related to structural heart diseases and peripheral vascular diseases as development costs. Details of the criteria for the expenditure to be capitalised are disclosed in notes 3 and 4 to the consolidated financial statements. The capitalisation involved management's judgement assessing whether technical and commercial feasibility had been achieved for each of the projects. The assessment of technical feasibility is based on the management assessment of results of product testing. The assessment of commercial feasibility is based on the profit forecast of each development project prepared by the management based on certain key assumptions, including revenue to be generated, budget costs and relevant market analysis.	Our procedures in relation to the capitalisation of development costs included: • Understanding and testing the Group's key control in relation to capitalisation of development costs; • Obtaining the commercial and technical feasibility report provided by the management and assessing the reasonableness of the commercial and technical feasibility study by reference to the industry and market information; • Obtaining the product testing reports provided by the management and enquiring the management about the technical feasibility of each product; • Performing an analysis of expenditure incurred for each development project and enquired with the management regarding the progress of each project to determine if the criteria for capitalisation were met; • Testing, on a sample basis, the expenditure being capitalised to source documents; and • Obtaining the profit forecast prepared by the management for each development project and assessing the appropriateness of key assumptions, including revenue generated, budget costs to be incurred and relevant market analysis associated with the development project.

Key audit matter	How our audit addressed the key audit matter
Provision of expected credit losses ("ECL") for trade receivables	
We identified the estimated provision of ECL for trade receivables as a key audit matter due to the significant balance of trade receivables to the consolidated statement of financial position and the significant degree of management judgment involved in recognising impairment loss on trade receivables. As disclosed in notes 4 and 21 to the consolidated financial statements, the provision of ECL was assessed by the management based on valuations prepared by an independent qualified professional valuer. The ECL was based on provision matrix for grouping of debtors and assessment on individual debtors with credit impaired. In determining the ECL using the provision matrix, it is based on historical default rates taking into consideration both quantitative and qualitative information that is reasonable and supportable including forward looking information that is available. The carrying amounts of trade receivables of the Group amounted to RMB91,105,000, net of loss allowance of ECL amounting to RMB5,528,000 as at 31 December 2018.	Our procedures in relation to evaluating the sufficiency of the estimated impairment of trade receivables included: • Understanding the management process of assessing the estimated impairment loss on trade receivables; • Assessing the reasonableness of the methods and assumptions used in the Group's ECL with reference to the historical default rates and forward-looking information of trade receivables; • Discussing with management and independent qualified professional valuer including: – the credit quality of the customers, such as past default history, aging analysis and historical settlement pattern; and – the provision rates, internal credit ratings, historical default rates and forward-looking information. • Evaluating the independent qualified professional valuer's competence, capabilities and objectivity; and • Testing, on a sample basis, the accuracy of the aging analysis of trade receivables.

Financial assets at fair value through profit or loss

We identified the financial assets at fair value through profit or loss as a key audit matter due to the material balance and significant management judgement involved as the valuations of investments are inherently subjective, particularly in the use of unobservable inputs for the Level 3 valuations.

As disclosed in notes 4, 18 and 35(c) to the consolidated financial statements, the fair values of the investments were assessed by the management based on valuations prepared by an independent qualified professional valuer. The management has also reviewed the key assumptions, inputs and method of the valuation model.

The total loss from changes of fair value were amounted to RMB8,486,000 for the year ended 31 December 2018.

Our procedures in relation to evaluating the financial assets at fair value through profit or loss included:

- Understanding the structure of the investments and assessing the key assumptions, inputs and method of the valuation model;
- Engaging our internal valuation specialists to review the reasonableness of the assumptions, inputs and method of the valuation model used by the independent qualified professional valuer;
- Evaluating the independent qualified professional valuer's competence, capabilities and objectivity;
- Checking arithmetical accuracy of the calculations; and
- Evaluating the appropriateness on the classification and adequacy of disclosure in accordance with the requirements of IFRS 9 Financial Instruments and IFRS 13 Fair Value Measurement.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Luk Kam Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018 RMB'000**	2017 RMB'000
Revenue - goods	5	**556,698**	409,125
Cost of sales		**(101,677)**	(77,168)
Gross profit		**455,021**	331,957
Other income, expenses, gains and losses	6	**51,023**	60,169
Provision of impairment losses, net	7	**(1,677)**	(237)
Selling and distribution expenses		**(129,633)**	(84,772)
Administration expenses		**(95,345)**	(52,709)
Research and development expenses		**(115,200)**	(62,201)
Operating profit		**164,189**	192,207
Finance income, net	8	**2,999**	1,934
Share of result of an associate		**—**	(518)
Profit before tax	9	**167,188**	193,623
Income tax expense	11	**(45,835)**	(30,049)
Profit for the year		**121,353**	163,574
Other comprehensive income (expense):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**186**	(887)
Total comprehensive income for the year		**121,539**	162,687
Profit for the year attributable to:			
Owners of the Company		**121,082**	163,472
Non-controlling interests		**271**	102
		121,353	163,574
Total comprehensive income attributable to:			
Owners of the Company		**121,268**	162,585
Non-controlling interests		**271**	102
		121,539	162,687
Earnings per share	13		
– Basic		**RMB2.8 cents**	RMB3.8 cents
– Diluted		**RMB2.8 cents**	RMB3.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTES	2018 RMB'000	2017 RMB'000
Non-current assets			
Property, plant and equipment	14	**348,246**	322,821
Prepaid lease payments	15	**29,659**	30,884
Investment properties	16	**137,679**	129,952
Intangible assets	17	**202,536**	151,709
Financial assets at fair value through profit or loss	18	**169,865**	—
Deposits for acquisition of property, plant and equipment		**4,481**	7,119
Deferred tax assets	19	**30,681**	20,406
Pledged bank deposit	23	**30,000**	—
		953,147	662,891
Current assets			
Inventories	20	**70,735**	39,408
Trade receivables	21	**91,105**	73,721
Other receivables and prepayments	22	**57,301**	40,499
Prepaid lease payments	15	**1,267**	1,308
Fixed bank deposit	23	**5,000**	—
Bank balances and cash	23	**352,577**	451,930
		577,985	606,866
Current liabilities			
Trade and other payables	24	**162,063**	131,628
Contract liabilities	25	**4,008**	—
Bank borrowings	27	**2,402**	—
Tax payables		**39,798**	24,852
		208,271	156,480
Net current assets		**369,714**	450,386
Total assets less current liabilities		**1,322,861**	1,113,277
Non-current liabilities			
Government grants	26	**57,352**	57,311
Bank borrowings	27	**21,619**	—
		78,971	57,311
Net assets		**1,243,890**	1,055,966

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTE	2018 RMB'000	2017 RMB'000
Capital and reserves			
Share capital	28	35	35
Share premium and reserves		1,240,394	1,052,741
Equity attributable to owners of the Company		1,240,429	1,052,776
Non-controlling interests		3,461	3,190
Total equity		1,243,890	1,055,966

The consolidated financial statements on pages 54 to 142 were approved and authorised for issue by the board of directors on 28 March 2019 and are signed on its behalf by:

Mr Xie Yuehui
Executive Director and Chairman

Mr Liu Jianxiong
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company											
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Share option reserve RMB'000	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Treasury shares RMB'000 (Note iii)	Accumulated (losses) profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2017	35	768,255	1,379	50,058	51,873	(3)	32,531	–	(36,511)	867,617	2,978	870,595
Profit for the year	–	–	–	–	–	–	–	–	163,472	163,472	102	163,574
Other comprehensive expense for the year	–	–	(887)	–	–	–	–	–	–	(887)	–	(887)
Total comprehensive (expense) income for the year	–	–	(887)	–	–	–	–	–	163,472	162,585	102	162,687
Recognition of equity-settled share-based payments	–	–	–	–	11,585	–	–	–	–	11,585	–	11,585
Exercise of share options	–	17,048	–	–	(6,059)	–	–	–	–	10,989	–	10,989
Acquisition of partial interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	(1,000)	(1,000)
Deemed disposal of partial interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	1,110	1,110
Appropriations	–	–	–	45	–	–	–	–	(45)	–	–	–
	–	17,048	(887)	45	5,526	–	–	–	163,427	185,159	212	185,371
At 31 December 2017	35	785,303	492	50,103	57,399	(3)	32,531	–	126,916	1,052,776	3,190	1,055,966
Adjustment	–	–	–	–	–	–	–	–	(3,930)	(3,930)	–	(3,930)
At 1 January 2018 (restated)	**35**	**785,303**	**492**	**50,103**	**57,399**	**(3)**	**32,531**	**–**	**122,986**	**1,048,846**	**3,190**	**1,052,036**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**121,082**	**121,082**	**271**	**121,353**
Other comprehensive income for the year	**–**	**–**	**186**	**–**	**–**	**–**	**–**	**–**	**–**	**186**	**–**	**186**
Total comprehensive income for the year	**–**	**–**	**186**	**–**	**–**	**–**	**–**	**–**	**121,082**	**121,268**	**271**	**121,539**
Recognition of equity-settled share-based payments	**–**	**–**	**–**	**–**	**72,338**	**–**	**–**	**–**	**–**	**72,338**	**–**	**72,338**
Exercise of share options	**–**	**12,629**	**–**	**–**	**(4,535)**	**–**	**–**	**–**	**–**	**8,094**	**–**	**8,094**
Repurchase of ordinary shares	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,117)**	**–**	**(10,117)**	**–**	**(10,117)**
Appropriations	**–**	**–**	**–**	**156**	**–**	**–**	**–**	**–**	**(156)**	**–**	**–**	**–**
	–	**12,629**	**–**	**156**	**67,803**	**–**	**–**	**(10,117)**	**(156)**	**70,315**	**–**	**70,315**
At 31 December 2018	**35**	**797,932**	**678**	**50,259**	**125,202**	**(3)**	**32,531**	**(10,117)**	**243,912**	**1,240,429**	**3,461**	**1,243,890**

Notes:

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

(ii) Contribution reserve represents the difference between the fair value of the consideration paid for the acquisition of Lifetech 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) During the year ended 31 December 2018, the Company repurchased a total of 7,710,000 shares of the Company on The Stock Exchange of Hong Kong Limited of an aggregate consideration (including transaction cost) of approximately RMB10,117,000. The shares have been fully cancelled on 23 January 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
OPERATING ACTIVITIES		
Profit before tax	167,188	193,623
Adjustments for:		
Depreciation of property, plant and equipment	21,965	11,042
Share-based payment expenses	60,265	9,042
Loss on disposal of property, plant and equipment	237	34
Amortisation of intangible assets	6,163	3,731
Depreciation of investment properties	4,427	2,244
Release of prepaid lease payments	1,266	1,268
Write-down on inventories	387	7,055
Net impairment loss recognised on trade receivables	1,425	237
Government grants	(5,855)	(8,636)
Finance income, net	(2,999)	(1,934)
Share of result of an associate	—	518
Gain on disposal of an associate	—	(234)
Net impairment loss recognised on other receivables	252	—
Unrealised foreign exchange gain in financial assets at FVTPL	(12,809)	—
Loss from changes in fair value of financial assets at FVTPL	8,486	—
Operating cash flows before movements in working capital	250,398	217,990
Increase in inventories	(29,381)	(5,848)
(Increase) decrease in trade receivables	(22,776)	9,463
(Increase) decrease in other receivables and prepayments	(21,759)	9,855
Increase (decrease) in trade and other payables	39,846	(32,747)
Government grants received for operating activities	4,150	6,931
Increase in contract liabilities	2,268	—
Cash generated from operations	222,746	205,644
Income taxes paid	(40,446)	(50,753)
NET CASH FROM OPERATING ACTIVITIES	182,300	154,891

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	2018 RMB'000	2017 RMB'000
INVESTING ACTIVITIES		
Purchase of financial assets at FVTPL	(165,542)	—
Deposits paid for and purchase of property, plant and equipment	(64,423)	(111,378)
Development costs paid	(44,605)	(32,321)
Placement of pledged bank deposit	(30,000)	—
Placement of fixed bank deposit	(5,000)	—
Payments for intangible assets	(3,070)	(9,038)
Interest received from bank deposits	3,281	2,746
Government grants received for acquisition of plant and equipment	1,760	660
Proceeds from disposal of property, plant and equipment	30	—
Proceeds on disposal of an associate	—	760
Payments for prepaid lease payments	—	(202)
NET CASH USED IN INVESTING ACTIVITIES	(307,569)	(148,773)
FINANCING ACTIVITIES		
Repurchase of ordinary shares	(10,117)	—
Interest paid for bank borrowings	(282)	(812)
Bank borrowings raised	24,021	—
Proceeds from issue of shares upon exercise of share options	12,118	7,678
Repayments of bank borrowings	—	(200,000)
Interest paid to a shareholder for convertible notes	—	(5,377)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	25,740	(198,511)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(99,529)	(192,393)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	451,930	645,208
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	176	(885)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	352,577	451,930

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "HKSE"). Mr. Xie Yuehui, is the Chairman and Chief Executive Officer of the Company. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands and the address of the principal place of business is Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC").

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

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

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

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

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

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014 - 2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

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

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

IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 for the first time in the current year. IFRS 15 superseded IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related interpretations.

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 18 and the related interpretations.

The Group recognises revenue from development, manufacturing and trading of advanced interventional medical devices, which arise from contracts with customers.

Information about the Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 5 and 3 respectively.

Upon adoption of IFRS 15, receipt in advance from customers previously included in trade and other payables amounting to RMB1,740,000 was reclassified to contract liabilities as at the date of initial application, 1 January 2018.

As a result, other than reclassification of contract liabilities, the adoption of IFRS 15 does not have material impact on timing and amounts of revenue recognised in respect of sales of goods and services.

IFRS 9 Financial Instruments

In the current year, the Group has applied IFRS 9 *Financial Instruments* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities; 2) expected credit losses ("ECL") for financial assets; and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

Accounting policies resulting from application of IFRS 9 are disclosed in note 3.

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

IFRS 9 Financial Instruments - *continued*

Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application,1 January 2018.

	Note	Trade receivables RMB'000	Other receivables RMB'000	Deferred tax assets RMB'000	Accumulated profits RMB'000
Closing balance as at 31 December 2017 – IAS 39		73,721	35,609	—	126,916
Effect arising from initial application of IFRS 9: Remeasurement					
Impairment under ECL model	(a)	(3,967)	(681)	718	(3,930)
Opening balance at 1 January 2018		69,754	34,928	718	122,986

Note:

(a) Impairment under ECL model

The Group applies the IFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under IAS 39, the remaining balances are grouped based on internal credit rating.

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

IFRS 9 Financial Instruments - *continued*

Summary of effects arising from initial application of IFRS 9 - continued

Impacts on opening consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) RMB'000	IFRS 15 RMB'000	IFRS 9 RMB'000	1 January 2018 (Restated) RMB'000
Non-current Assets				
Deferred tax assets	20,406	—	718	21,124
Current Assets				
Trade receivables	73,721	—	(3,967)	69,754
Other receivables and prepayments	40,499	—	(681)	39,818
Current Liabilities				
Trade and other payables	131,628	(1,740)	—	129,888
Contract liabilities	—	1,740	—	1,740
Capital and Reserves				
Share premium and reserves	1,052,741	—	(3,930)	1,048,811
Equity attributable to owners of the Company	1,052,776	—	(3,930)	1,048,846

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 - 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for annual periods beginning on or after 1 January 2021
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2020

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

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

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

IFRS 16 Leases - *continued*

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of the IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB26,502,000 as disclosed in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

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

IFRS 16 Leases - *continued*

In addition, the Group currently considers refundable rental deposits paid of RMB2,222,000 and refundable rental deposits received of RMB6,247,000 as rights and obligations under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost. Adjustments to refundable rental deposits paid would be considered as additional lease payments and included in the carrying amount of right-of-use assets. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all IFRS standards and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Revenue from contracts with customers (upon application of IFRS 15 in accordance with transitions in note 2)

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Revenue recognition (prior to 1 January 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Goods, services and interests

Revenue from the sale of goods is recognised when goods are delivered and title has passed.

Service income is recognised when service are provided.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Leases

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

The Group as lessor

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

The Group as lessee

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

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Foreign currencies - *continued*

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

On the disposal of a foreign operation, the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Borrowing costs

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

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

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

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Retirement benefit costs

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

Share-based payment arrangements

Equity-settled share-based payment transactions

Share options granted to directors and employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments granted at the grant date. Details regarding the determination of fair value of equity-settled share-based transactions are set out in note 30 to the consolidated financial statements.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve.

When share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to accumulated profits.

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Taxation - *continued*

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Investment properties

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

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

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

Intangible assets

Intangible assets acquired separately

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

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

Internally-generated intangible assets - research and development expenditure

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Intangible assets - *continued*

Internally-generated intangible assets - research and development expenditure - continued

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit and loss ("FVTPL"), except that at the date of initial application. Initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - continued

Classification and subsequent measurement of financial assets (upon application of IFRS9 in accordance with transitions in note 2) - continued

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade receivables and other receivables, pledged bank deposit, fixed bank deposit and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL are assessed individually for debtors with credit impaired or collectively using a provision matrix with internal credit rating.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) - continued

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) - continued

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - continued

Impairment of financial assets (upon application IFRS 9 with transitions in accordance with note 2) - continued

(v) Measurement and recognition of ECL - *continued*

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the internal credit rating basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Classification and subsequent measurement of financial assets (before application of IFRS9 on 1 January 2018)

Financial assets are classified in loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - continued

Impairment of financial assets (before application of IFRS 9 on 1 January 2018)

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

Objective evidence of impairment could include:

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

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past a normally allowed credit period of 30-180 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - continued

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

Financial liabilities representing trade and other payables are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial liabilities and equity - continued

Derecognition of financial liabilities

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

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

Capitalisation of development costs

As at 31 December 2018, the carrying amount of the Group's development costs is RMB156,136,000 (2017: RMB102,216,000). The capitalisation involved management's judgement in assessing of whether technical and commercial feasibility of each project had been achieved. Technical feasibility are evaluated based on testing results of products and commercial feasibility are evaluated based on forecast with assumptions on revenue to be generated, budget costs to be incurred and relevant market analysis of the relevant product.

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

Provision of ECL for trade and other receivables

The Group uses provision matrix to calculate ECL for the trade and other receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration both quantitative and qualitative information that is reasonable and supportable including forward-looking information that is available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in Notes 35 and 21.

Financial assets at fair value through profit or loss

As at 31 December 2018, the fair value of the Group's financial assets at fair value through profit or loss is RMB169,865,000. The determination of fair value of the financial assets involved management's judgement as the valuations of investments are inherently subjective, particularly in the use of unobservable inputs for the Level 3 valuation. The information about the financial assets at fair value through profit or loss is disclosed in notes 18 and 35(c).

Estimated useful lives and impairment of property, plant and equipment

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

As at 31 December 2018, the carrying amount of property, plant and equipment is RMB348,246,000 (2017: RMB322,821,000).

Estimated impairment of inventories

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

As at 31 December 2018, the carrying amount of inventories of the Group is RMB70,735,000 (2017: RMB39,408,000).

5. REVENUE AND SEGMENT INFORMATION

A For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

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

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

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

All medical device are delivered within period less than one year. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. REVENUE AND SEGMENT INFORMATION - *continued*

B. For the year ended 31 December 2017

	RMB'000
Sales of medical devices	409,125

Segment Information

The segment information reported internally was analysed on the basis of their products supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by executive directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance.

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

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

Information regarding the above segments is reported below.

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(a) Segment revenue and results

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

For the year ended 31 December 2018

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	208,279	342,967	5,452	556,698
Segment profit	179,537	280,740	(5,256)	455,021
Unallocated income				
– Finance income				3,281
– Other income and other gains				64,173
Unallocated expense				
– Selling and distribution expenses				(129,633)
– Administration expenses				(95,345)
– Other expense and losses				(13,150)
– Provision of impairment losses, net				(1,677)
– Research and development expenses				(115,200)
– Finance costs				(282)
Profit before tax				167,188

5. REVENUE AND SEGMENT INFORMATION - *continued*

(a) Segment revenue and results - *continued*

For the year ended 31 December 2017

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	159,243	249,882	–	409,125
Segment profit	127,507	204,450	–	331,957
Unallocated income				
– Finance income				2,746
– Other income and other gains				68,051
Unallocated expense				
– Selling and distribution expenses				(84,772)
– Administration expenses				(52,709)
– Other expense and losses				(7,882)
– Provision of impairment losses, net				(237)
– Research and development expenses				(62,201)
– Share of result of an associate				(518)
– Finance costs				(812)
Profit before tax				193,623

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the gross profit earned by each segment without allocation of all other items of income and expenses, as set out above. This is the measure reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resources allocation and assessment of segment performance.

5. REVENUE AND SEGMENT INFORMATION - *continued*

(b) Segment assets and liabilities

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

Segment assets

	2018 RMB'000	2017 RMB'000
Operating segments		
Structural heart diseases business	**248,116**	207,488
Peripheral vascular diseases business	**436,565**	339,153
Cardiac pacing and electrophysiology business	**108,095**	106,469
Total segment assets	**792,776**	653,110
Unallocated assets		
Property, plant and equipment	**4,344**	3,648
Investment properties	**137,679**	129,952
Deferred tax assets	**30,681**	20,406
Financial assets at fair value through profit or loss	**169,865**	—
Other receivables and prepayments	**7,002**	10,711
Bank balances and cash	**352,577**	451,930
Fixed bank deposit	**5,000**	—
Intangible assets	**972**	—
Pledged bank deposits	**30,000**	—
Deposits paid for property, plant and equipment	**236**	—
Consolidated assets	**1,531,132**	1,269,757

5. REVENUE AND SEGMENT INFORMATION - *continued*

(b) Segment assets and liabilities - *continued*

Segment liabilities

	2018 RMB'000	2017 RMB'000
Operating segments		
Structural heart diseases business	**7,398**	6,763
Peripheral vascular diseases business	**12,927**	12,716
Cardiac pacing and electrophysiology business	**2,347**	2,016
Total segment liabilities	**22,672**	21,495
Unallocated liabilities		
Other payables	**141,694**	108,443
Tax payables	**39,798**	24,852
Government grants	**59,057**	59,001
Bank borrowings	**24,021**	—
Consolidated liabilities	**287,242**	213,791

5. REVENUE AND SEGMENT INFORMATION - *continued*

(b) Segment assets and liabilities - *continued*

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

- All assets are allocated to operating segments other than pledged bank deposit, fixed bank deposit, bank balances and cash, financial assets at FVTPL, deferred tax assets, investment properties, certain other receivables and prepayments, certain intangible assets, certain property, plant and equipment, certain deposits paid for property, plant and equipment; and
- Trade payables and contract liabilities are allocated to operating segments in arriving at segment liabilities, which therefore exclude government grants (include current portion under other payables and non-current portion), tax payables, certain other payables and bank borrowings.

(c) Other segment information

For the year ended 31 December 2018

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

5. REVENUE AND SEGMENT INFORMATION - *continued*

(c) Other segment information - *continued*

For the year ended 31 December 2017

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Capital expenditure (Note)	58,215	91,348	18,697	—	168,260
Depreciation of property, plant and equipment	3,995	6,269	778	—	11,042
Amortisation of intangible assets	1,389	2,180	162	—	3,731
Write-down on inventories	2,746	4,309	—	—	7,055
Impairment loss recognised on trade receivables	92	145	—	—	237

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

(d) Geographical information

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

	Revenue from external customers		Non-current assets	
	2018 RMB'000	2017 RMB'000	**2018 RMB'000**	2017 RMB'000
PRC (country of domicile)	**427,888**	316,024	**750,428**	640,007
Europe	**51,054**	33,678	**171,733**	2,123
India	**24,130**	20,491	**301**	350
Asia, excluding PRC and India	**33,730**	24,029	**4**	5
South America	**15,161**	11,826	**—**	—
Africa	**1,524**	809	**—**	—
Others	**3,211**	2,268	**—**	—
Total	**556,698**	409,125	**922,466**	642,485

Note: Non-current assets excluded deferred tax assets, interest in an associate and other receivables as details in note 19.

5. REVENUE AND SEGMENT INFORMATION - *continued*

(e) Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2018 RMB'000	2017 RMB'000
Customer A	N/A*	44,284

Note: No customer contributed to over 10% of the total sales of the Group during the current year of 2018.

6. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	2018 RMB'000	2017 RMB'000
Other income and expenses		
Government grants (Note 26)	5,855	8,636
Rental income	35,252	10,548
Consulting income (Note)	—	46,442
Recovery of other receivables previously written-off	6,300	—
Others	1,316	2,191
Amortisation of investment properties	(4,427)	(2,244)
	44,296	65,573
Other gains and losses		
Losses on disposal of property, plant and equipment	(237)	(34)
Unrealised foreign exchange gain in financial assets at FVTPL	12,809	—
Net foreign exchange gains (loss)	2,641	(5,604)
Loss from changes in fair value of financial assets at FVTPL	(8,486)	—
Gain on disposal of an associate	—	234
	6,727	(5,404)
	51,023	60,169

Note: On 30 November 2016, the Group disposed of the entire 100% equity interests in Beijing Permed Biomedical Engineering Co., Ltd. to an independent third party ("Purchaser"). Pursuant to an consulting agreement signed between the Group and the Purchaser, the Group is engaged to provide consulting services to the Purchaser for a period of 12 months at a consideration of USD8,000,000 (approximately RMB55,358,000). During the year ended 31 December 2017, an amount of RMB46,442,000, net of discount, was recognised as other income.

7. PROVISION OF IMPAIRMENT LOSSES, NET

	2018 RMB'000	2017 RMB'000
Net impairment losses recognised on:		
– Trade receivables	1,425	237
– Other receivables	252	—
	1,677	237

Details of impairment assessment for the year ended 31 December 2018 are set out in note 35.

8. FINANCE INCOME, NET

	2018 RMB'000	2017 RMB'000
Finance income from:		
Interest income on bank deposits	3,281	2,746
Finance cost from:		
Interest expense on bank borrowings	(282)	(812)
Finance income net	2,999	1,934

9. PROFIT BEFORE TAX

	2018 RMB'000	2017 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note 10)		
Directors' fee	424	412
Salaries, wages and other benefits	132,202	87,102
Performance related bonus	23,276	20,959
Share-based payment expenses	72,338	11,585
Retirement benefits scheme contributions	12,047	9,667
Less: capitalised in development costs, construction in progress and inventories	(35,300)	(28,024)
	204,987	101,701
Auditor's remuneration (including audit and non-audit services)	1,800	1,476
Net impairment loss on trade receivables	1,425	237
Cost of inventories recognised as expenses (Note)	101,677	77,168
Depreciation of property, plant and equipment	21,965	11,042
Depreciation of investment properties	4,427	2,244
Amortisation of intangible assets	6,163	3,731
Release of prepaid lease payments	1,266	1,268
Gross rental income from investment properties	(35,252)	(10,548)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	4,427	2,735
	(30,825)	(7,813)

Note: For the year end 31 December 2018, cost of inventories recognised as expenses included write-down on inventories of RMB387,000 (2017: RMB7,055,000).

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

The emoluments paid or payable to each of the directors and chief executive by the Group disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

For the year ended 31 December 2018

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Incentive performance bonus RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors:						
Mr. Xie Yuehui	—	1,343	60	—	12,451	13,854
Mr. Liu Jianxiong	—	1,237	60	—	9,635	10,932
Mr. Zhang Deyuan (iii)	—	1,823	60	—	13,855	15,738
Non-executive directors:						
Mr. Monaghan Shawn Del (ii)	—	—	—	—	—	—
Mr. Jiang Feng	106	—	—	—	—	106
Mr. Cleary Christopher Michael (ii)	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Liang Hsien Tse Joseph	106	—	—	—	—	106
Mr. Zhou Luming	106	—	—	—	—	106
Mr. Wang Wansong	106	—	—	—	—	106
	424	4,403	180	—	35,941	40,948

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS - *continued*

For the year ended 31 December 2017

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Incentive performance bonus RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors:						
Mr. Xie Yuehui	—	1,247	55	—	2,061	3,363
Mr. Liu Jianxiong	—	1,126	55	—	1,766	2,947
Ms. Xiao Ying (i)	—	381	45	60	111	597
Mr. Zhang Deyuan (iii)	—	310	10	—	329	649
Non-executive directors:						
Mr. Monaghan Shawn Del	—	—	—	—	—	—
Mr. Jiang Feng	103	—	—	—	—	103
Mr. Cleary Christopher Michael	—	—	—	—	—	—
Independent non-executive directors:						
Mr. Liang Hsien Tse Joseph	103	—	—	—	—	103
Mr. Zhou Luming	103	—	—	—	—	103
Mr. Wang Wansong	103	—	—	—	—	103
	412	3,064	165	60	4,267	7,968

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS - *continued*

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 30 to the Group's consolidated financial statements.

Notes:

(i) Ms. Xiao Ying was appointed as executive director of the Company on 28 March 2016 and resigned on 31 October 2017.

(ii) Mr. Monaghan Shawn Del and Cleary Christopher Michael resigned as non-executive director of the Company on 25 May 2018.

(iii) Mr. Zhang Deyuan was appointed as executive director of the Company on 31 October 2017 and resigned on 28 March 2019.

Of the five individuals with the highest emoluments in the Group, three (2017: three) were directors (one of them is also the Chief Executive Officer) whose emoluments are included above. The emoluments of the remaining two (2017: two) individuals were as follows:

	2018 RMB'000	2017 RMB'000
Employees		
– share–based payment	**3,859**	418
– salaries and other benefits	**1,997**	1,602
– performance related bonus	**779**	746
– contributions to retirement benefits scheme	**143**	98
	6,778	2,864

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS - *continued*

Their emoluments were within the following bands:

	2018 Number of employees	2017 Number of employees
HKD1,000,001 to HKD1,500,000	—	1
HKD1,500,001 to HKD2,000,000	—	1
HKD3,500,001 to HKD4,000,000	1	—
HKD4,000,001 to HKD4,500,000	1	—
	2	2

For each of the two years ended 31 December 2018 and 2017, no emoluments were paid by the Group to any of the directors and the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors nor the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2018 and 2017.

11. INCOME TAX EXPENSE

	2018 RMB'000	2017 RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	37,135	32,026
Hong Kong Profit Tax	4,400	—
India Income Tax	—	276
Withholding tax on inter-company dividends	13,857	—
Deferred tax charge credit (Note 19):		
Current year	(9,557)	(2,253)
	45,835	30,049

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

Lifetech Scientific Trading Limited, a subsidiary of the Company, is subject to Hong Kong Profits Tax. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% on assessable profits earned in Hong Kong.

11. INCOME TAX EXPENSE - *continued*

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that one major operating subsidiary in the PRC was qualified as High and New Technology Enterprise since 2009, and is entitled to a preferential income tax rate of 15%. The qualification of High and New Technology Enterprises is subject to review once every three years and is extended for further three years from August 2017. This major operating subsidiary continued to be recognised as a Hi-Tech enterprise for the two years ended 31 December 2018 and 2017.

Under the EIT Law, a withholding tax on dividends is required upon dividend income earned by a non-PRC resident enterprise. The withholding tax is calculated at 10% of dividend income carried by a non-PRC resident enterprise.

The applicable income tax rate of Lifetech Scientific India Private Ltd. ("Lifetech India") in the jurisdiction of India is 30.9% on its taxable profits. No provision for profit tax in India has been made for the year ended 31 December 2018 as Lifetech India incurred a loss of RMB1,797,000 during the year and RMB276,000 has been made for year ended 31 December 2017.

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

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

	2018 RMB'000	2017 RMB'000
Profit before tax	**167,188**	193,623
Tax at the applicable tax rate of 15% (2017: 15%)	**25,078**	29,043
Tax effect of share of result of an associate	**—**	77
Tax effect of expenses not deductible for tax purpose	**9,885**	4,629
Tax effect of tax losses not recognised	**712**	75
Utilisation of tax losses not recognised in previous years	**(129)**	(2,178)
Tax effect of additional deductible research and development expenditure	**(3,307)**	(1,920)
Tax effect of income not taxable for tax purpose	**(438)**	(154)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**177**	477
Withholding tax on inter-company dividends	**13,857**	—
Income tax expense for the year	**45,835**	30,049

12. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2018 and 2017, nor any dividend proposed since the end of the reporting period.

13. EARNINGS PER SHARE

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

	2018 RMB'000	2017 RMB'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**121,082**	163,472

	2018 '000	2017 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,334,345**	4,325,076
Effect of dilutive potential ordinary shares:		
Share options	**25,878**	19,638
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,360,223**	4,344,714

14. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2017	—	283,973	61,792	11,144	12,717	4,201	373,827
Exchange realignment	—	—	—	—	23	—	23
Additions	—	111,562	12,971	1,894	2,584	797	129,808
Transfer	129,760	(260,460)	51	—	—	—	(130,649)
Disposals	—	—	(504)	—	(62)	—	(566)
At 31 December 2017	129,760	135,075	74,310	13,038	15,262	4,998	372,443
Exchange realignment	—	—	(6)	—	(10)	—	(16)
Additions	—	41,990	7,330	4,171	5,517	813	59,821
Transfer	33,783	(172,140)	126,203	—	—	—	(12,154)
Disposals	—	—	(590)	—	(1,601)	(435)	(2,626)
At 31 December 2018	**163,543**	**4,925**	**207,247**	**17,209**	**19,168**	**5,376**	**417,468**
ACCUMULATED DEPRECIATION							
At 1 January 2017	—	—	21,556	9,250	6,648	1,637	39,091
Exchange realignment	—	—	—	—	21	—	21
Provided for the year	2,163	—	5,118	1,352	2,038	371	11,042
Eliminated on disposals	—	—	(484)	—	(48)	—	(532)
At 31 December 2017	2,163	—	26,190	10,602	8,659	2,008	49,622
Exchange realignment	—	—	(3)	—	(3)	—	(6)
Provided for the year	4,772	—	11,433	2,945	2,340	475	21,965
Eliminated on disposals	—	—	(471)	—	(1,475)	(413)	(2,359)
At 31 December 2018	**6,935**	**—**	**37,149**	**13,547**	**9,521**	**2,070**	**69,222**
CARRYING VALUES							
At 31 December 2018	**156,608**	**4,925**	**170,098**	**3,662**	**9,647**	**3,306**	**348,246**
At 31 December 2017	127,597	135,075	48,120	2,436	6,603	2,990	322,821

14. PROPERTY, PLANT AND EQUIPMENT - *continued*

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

Building	3.33%
Plant and machinery	10% - 20%
Leasehold improvement	20% - 33.3%
Furniture, fixtures and equipment	20%
Motor vehicles	10%

15. PREPAID LEASE PAYMENTS

	2018 RMB'000	2017 RMB'000
Analysed for reporting purposes as:		
Current asset	**1,267**	1,308
Non-current asset	**29,659**	30,884
	30,926	32,192

The Group's prepaid lease payments represent payment for land use rights of 30 years in the PRC.

16. INVESTMENT PROPERTIES

	RMB'000
COST	
At 1 January 2017	2,601
Additions	130,649
At 31 December 2017	**133,250**
Additions	12,154
At 31 December 2018	**145,404**
DEPRECIATION	
At 1 January 2017	1,054
Provided for the year	2,244
At 31 December 2017	**3,298**
Provided for the year	4,427
At 31 December 2018	**7,725**
CARRYING VALUES	
At 31 December 2018	**137,679**
At 31 December 2017	129,952

16. INVESTMENT PROPERTIES - *continued*

The estimated fair value of the Group's investment properties at 31 December 2018 was RMB660,609,000 (2017: RMB651,600,000). The estimated fair value has been arrived at on the basis of valuations carried out on the respective dates by 深圳中科華資產評估有限公司 and Beijing Colliers International Real Estate Valuation Co., Ltd. on 31 December 2018 and 31 December 2017 respectively, independent qualified professional valuers not connected with the Group. The fair value of the investment properties of the Group were determined either based on income capitalisation approach or direct comparison approach. For those determined based on the income capitalisation approach, the market rentals of all lettable units of the properties under current leases are assessed and discounted at the market yield expected by investors. The market discount rate is determined by reference to the yields derived from analysing the sales transactions of similar properties and adjusted transaction price to reflect location, size, age and maintenance to the Group's investment properties. For those determined based on direct comparison approach, the fair value of the investment properties were determined by reference to the market transaction prices of similar properties in the neighbourhood, and adjusted based on the location, size, age and maintenance of the property. In estimating the fair value of the properties, the highest and best use of the properties is their current use and the fair value measurements for all of the Group's properties are categorised as Level 3 (see note 35 for details). There has been no change from the valuation technique used in the prior year.

The above investment properties including buildings are depreciated on a straight-line basis over 30 to 38 years.

17. INTANGIBLE ASSETS

	Patents RMB'000	Licences RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
COST					
At 1 January 2017	11,074	2,679	3,316	99,247	116,316
Additions	9,505	—	643	34,599	44,747
Transfer	31,630	—	—	(31,630)	—
At 31 December 2017	52,209	2,679	3,959	102,216	161,063
Additions	2,566	—	504	53,920	56,990
At 31 December 2018	**54,775**	**2,679**	**4,463**	**156,136**	**218,053**
ACCUMULATED AMORTISATION					
At 1 January 2017	1,376	2,679	1,568	—	5,623
Provided for the year	3,167	—	564	—	3,731
At 31 December 2017	4,543	2,679	2,132	—	9,354
Provided for the year	5,004	—	1,159	—	6,163
At 31 December 2018	**9,547**	**2,679**	**3,291**	**—**	**15,517**
CARRYING VALUES					
At 31 December 2018	**45,228**	**—**	**1,172**	**156,136**	**202,536**
At 31 December 2017	47,666	—	1,827	102,216	151,709

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

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

All of the Group's computer software was acquired from third parties. Licences and certain of the above patents were purchased as part of a business combination in prior years. As at 31 December 2018, patents with carrying amount of RMB34,899,000 (2017: RMB40,055,000) were internally generated.

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

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 RMB'000	2017 RMB'000
Financial assets mandatorily measured at FVTPL:		
Unlisted participating shares	135,343	—
Unlisted fund	34,522	—
	169,865	—

On 10 May 2018, the Group has entered into a subscription agreement with an independent third party pursuant to which the Group agreed to subscribe for participating shares of ABG-Grail Limited ("ABG-Grail"), a limited company established in British Virgin Island, for an aggregate consideration of US$20,000,000 (equivalent to approximately RMB127,340,000) in cash. ABG-Grail principally invests in unlisted shares of a company established in United States.

On 25 May 2018, the Group has also entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for shares of a private equity fund established in Cayman Island (the "Fund"), as a limited partner, for an aggregate consideration of US$6,000,000 (equivalent to approximately RMB38,202,000) in cash. The Fund principally invests in securities or assets of companies that are involved in the healthcare industry, with a particular focus on cross-border innovative late-stage venture opportunities and cross-over investments.

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

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

ABG-Grail and the Fund are accounted for as financial assets at fair value through profit or loss in accordance with IFRS 9. Details of the fair value measurement of ABG-Grail and the Fund are disclosed in note 35(c). In the opinion of the directors of the Company, ABG-Grail and the Fund are held for long-term strategic investment purposes and as such, the investments are classified as non-current.

The fair values of ABG-Grail and the Fund is determined by an independent valuer, GW Financial Advisory Services Limited. Details about valuation techniques and key inputs are disclosed in note 35 (c).

19. DEFERRED TAX ASSETS

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

	Government grant RMB'000	Impairment loss on financial assets RMB'000	Impairment loss on inventories RMB'000	Share option incentive RMB'000	Unrealised profit on inventories RMB'000	Others RMB'000	Total RMB'000
At 1 January 2017	9,136	62	179	3,575	2,581	2,620	18,153
(Charge) credit to profit or loss	(157)	(62)	235	252	764	1,221	2,253
At 31 December 2017	8,979	—	414	3,827	3,345	3,841	20,406
Adjustment (Note 2)	—	718	—	—	—	—	718
At 1 January 2018 (restated)	8,979	718	414	3,827	3,345	3,841	21,124
Credit (charge) to profit or loss	8	252	(93)	4,407	4,444	539	9,557
At 31 December 2018	**8,987**	**970**	**321**	**8,234**	**7,789**	**4,380**	**30,681**

At the end of the reporting period, the Group has unused tax losses of approximately RMB10,026,000 (2017: RMB6,140,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Among the above unrecognised tax losses, approximately RMB7,954,000 (2017: RMB5,848,000) was incurred by entities overseas and thus may be carried forward indefinitely. As for PRC entities, the unrecognised tax losses that will expire as the following:

	2018 RMB'000	2017 RMB'000
2022	**292**	292
2023	**1,780**	—
	2,072	292

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB913,123,000 (2017: RMB749,384,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. INVENTORIES

	2018 RMB'000	2017 RMB'000
Raw materials	29,160	26,157
Work in progress	15,024	4,151
Finished goods	26,551	9,100
	70,735	39,408

21. TRADE RECEIVABLES

	2018 RMB'000	2017 RMB'000
Trade receivables - goods	96,633	73,857
Less: allowance for credit losses	(5,528)	(136)
	91,105	73,721

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

As at 31 December 2018 and 1 January 2018, trade receivables from contracts with customers amounted to RMB91,105,000 and RMB69,754,000 respectively.

The Group normally allows a credit period of 30 to 180 days (2017: 30 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2018 RMB'000	2017 RMB'000
1 to 90 days	70,159	54,911
91 to 180 days	11,068	14,621
181 to 365 days	7,178	2,652
Over 365 days	2,700	1,537
	91,105	73,721

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

21. TRADE RECEIVABLES - *continued*

As at 31 December 2017, trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

As at 31 December 2017, trade receivables with aggregate carrying amount of RMB15,982,000 which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The management of the Group reviewed the aging analysis at the end of reporting period and satisfied with the continuous subsequent settlement on the trade receivable balance, as a result, the impairment of trade receivable is estimated to be insignificant.

Aging of past due but not impaired trade receivables

	2017 RMB'000
Age:	
Within 90 days	5,447
91 - 180 days	7,485
181 - 365 days	1,513
Over 365 days	1,537
	15,982

Movement in the allowance for doubtful debts

	2017 RMB'000
At 1 January	305
Impairment losses recognised on receivables	237
Amount written off during the year as uncollectible	(406)
At 31 December	136

As at 31 December 2017, included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB136,000 of which the debtors were in financial difficulties.

Details of impairment assessment of trade receivables for the year ended 31 December 2018 are set out in note 35.

22. OTHER RECEIVABLES AND PREPAYMENTS

	2018 RMB'000	2017 RMB'000
Other debtors (Note i)	16,448	21,692
Refundable deposits paid for acquisition of long term investment/ intangible assets (Note ii)	—	6,300
Prepayments	14,842	4,526
Advance to employees-interest free	23,041	5,472
Rental deposits	2,222	2,145
Other deposits	748	364
	57,301	40,499

Notes:

(i) Amounts are unsecured and interest-free. In the opinion of the directors, the Group will demand for repayments within one year from the end of reporting period and the amounts are therefore considered as current.

(ii) The Group entered into a strategic partnership agreement with an independent third party, which manages and operates an investment fund, on 12 April 2012, to enter into a long-term strategic alliance and equal partnership to collaborate across incubation projects over the period up to 12 April 2014. Deposit for acquisition of long term investment represents the consideration of USD3,000,000 (equivalent to RMB18,752,000) paid by the Group for the acquisition of options, on a priority basis, to invest or co-invest in any and/or all incubation projects and to acquire distribution rights, manufacturing rights and intellectual property licenses with respect to the incubation projects ("Project A"). The Group has the right to join and be a member of the investment committee of the investment fund. Further, the Group has the rights to request for all or a portion of the deposit to be converted to one or more incubation projects investments. On 10 April 2014, the Group entered into a supplementary agreement to the strategic partnership agreement to extend the project period from 12 April 2014 to 12 September 2014. In 2014, the management determined the recoverable amount of the deposit for acquisition of the long term investment was less than the carrying amount and, accordingly, the deposit for acquisition of the long term investment was fully impaired and written-off.

The Group entered into an agreement with the same independent third party as that mentioned above on 15 May 2012 to obtain the priority for acquiring the exclusive distribution right to sell the designated products ("Project B"). The Group deposited USD2,000,000 (equivalent to RMB12,600,000) in 2013 to the independent third party and the covering period of the agreement is up to 1 April 2016 (36 months after the receipt of the deposit as defined in the agreement). According to the agreement, in the event the relevant certificate from CE Mark (a certification mark that indicates conformity with health, safety and environmental protection standards for products sold within the European Economic Area) is not obtained by the independent third party within 36 months from 15 May 2012 (i.e. up to 15 May 2015), the deposit is refundable to the Group. Up to 15 May 2015, the relevant certificate was not obtained by the independent third party. The deposit then became refundable to the Group and the Group has informed the independent third party in written to request for the refund of the deposit and, accordingly, the deposit is classified as other receivables as at 31 December 2015.

22. OTHER RECEIVABLES AND PREPAYMENTS - *continued*

Notes: - *continued*

(ii) - continued

On 14 December 2016, the Group entered into a settlement agreement with the independent third party in which the independent third party agreed to refund the deposit of Project A of USD3,000,000 (equivalent to RMB18,752,000) and the deposit of Project B USD2,000,000 (equivalent to RMB12,600,000) to the Group based on the following settlement terms: For Project B, first installment of RMB6,300,000 on or before 27 January 2017 and second installment of RMB6,300,000 on or before 27 January 2018. For Project A, first installment of RMB6,300,000 on or before 31 December 2018 and second installment of RMB12,452,000 on or before 31 December 2019.

As the first and second installments have been settled in January 2017 and 2018 respectively, the deposit on project B has been fully recovered.

In respect of the deposit for Project A, RMB6,300,000 has been received during 2018.

Details of impairment assessment of other receivables for the year ended 31 December 2018 are set out in note 35.

23. BANK BALANCES AND CASH/PLEDGED BANK DEPOSIT/FIXED BANK DEPOSIT

The Group's bank balances carry interest at prevailing market rates which range from 0.01% to 0.35% (2017: 0.01% to 0.35%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The deposits amounting to RMB30,000,000 (31 December 2017: nil) have been pledged to secure long- term borrowings and are therefore classified as non-current assets.

Fixed deposit amounting to RMB5,000,000 (31 December 2017: nil) represents six-month time deposit with a fixed annual rate of 4.15%, which is due in April 2019 and is therefore classified as current assets.

Details of impairment assessment of bank balances, pledged bank deposit and fixed bank deposit for the year ended 31 December 2018 are set out in note 35.

24. TRADE AND OTHER PAYABLES

	2018 RMB'000	2017 RMB'000
Trade payables	**18,664**	21,495
Other payables:		
Government grants (Note 26)	**1,705**	1,690
Accrued payroll and bonus	**37,868**	30,348
Rental deposits	**6,247**	5,848
Other payables	**22,270**	6,369
Construction payables	**21,913**	29,598
Accrued expenses	**44,729**	25,325
Value-added tax payables	**7,083**	7,457
Receipt in advance from customers	**—**	1,740
Other tax payables	**1,584**	1,758
	143,399	110,133
	162,063	131,628

Included in trade payables is trade balances with a shareholder of RMB nil (2017: RMB11,985,000). Details of the relevant transactions are set out in note 37.

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:

	2018 RMB'000	2017 RMB'000
0 - 30 days	**9,060**	7,489
31 - 60 days	**6,720**	3,819
61 - 90 days	**1,751**	2,351
91 - 120 days	**346**	1,294
Over 120 days	**787**	6,542
	18,664	21,495

25. CONTRACT LIABILITIES

	31 December 2018 RMB'000	1 January 2018* RMB'000
Medical devices	**4,008**	1,740
Current	**4,008**	1,740

* The amounts in this column are after the adjustments from the application of IFRS 15.

The following table shows how much of the revenue recognised in the current year relates to carried-forward contract liabilities and how much relates to performance obligations that were satisfied in prior periods.

	Medical devices RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,740
Revenue recognised from performance obligations satisfied in prior periods	—

Typical payment terms which impact on the amount of contract liabilities recognised related to contract with customer for sales of medical devices, when the Group receives a deposit before the production activity commences. This will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit.

26. GOVERNMENT GRANTS

Government grants include subsidies in relation to the acquisition of plant, equipment and the research and development of medical devices. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. During the year ended 31 December 2018, subsidies of RMB4,150,000 (2017: RMB6,931,000) and RMB1,760,000 (2017: RMB660,000) relating to research and development of medical devices and the acquisition of plant and equipment, respectively, have been received. The Group recognised income of RMB5,855,000 (2017: RMB8,636,000) during the year ended 31 December 2018.

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 trade and other payables (note 24). 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 liabilities.

27. BANK BORROWINGS

	2018 RMB'000	2017 RMB'000
Secured bank borrowings	24,021	—
The carrying amounts of the above borrowings are repayable*:		
Within one year	2,402	—
Within a period of more than one year but not exceeding two years	21,619	—
Less: Amounts due within one year shown under current liabilities	(2,402)	—
Amounts shown under non-current liabilities	21,619	—

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

The Group's variable-rate bank borrowings carries interest at 2.14% above London Interbank Offered Rate ("LIBOR"). Interest will be reset at every three months.

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

	2018	2017
Effective interest rate:		
Variable-rate borrowings	4.48% to 4.94%	—

27. BANK BORROWINGS - *continued*

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

	United States Dollars ("USD") RMB'000
As at 31 December 2018	24,021

28. SHARE CAPITAL

	Number of shares	Amount USD
Ordinary shares		
Authorised:		
At 1 January 2017, 31 December 2017 and 2018 at USD0.00000125 each	40,000,000,000	50,000

	Number of shares	Amount USD	Shown in the consolidated statement of financial position as RMB'000
Issued and fully paid:			
At 1 January 2017	4,320,811,600	5,401	35
Exercise of share options	8,667,200	11	—
At 31 December 2017	4,329,478,800	5,412	35
Exercise of share options	6,812,400	9	—
At 31 December 2018	**4,336,291,200**	**5,421**	**35**

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

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2018 RMB'000	2017 RMB'000
Non-current assets		
Property, plant and equipment	1,812	2,053
Interests in subsidiaries	194,502	148,545
	196,314	150,598
Current assets		
Other receivables	2,449	4,115
Amounts due from subsidiaries	246,083	117,586
Bank balances and cash	59,647	66,050
	308,179	187,751
Current liability		
Other payables	1,326	2,088
Amounts due to subsidiaries	3,143	—
Tax payables	7,526	7,526
	11,995	9,614
Net current assets	296,184	178,137
Net assets	492,498	328,735
Capital and Reserves		
Share capital	35	35
Share premium and reserves	492,463	328,700
Total equity	492,498	328,735

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *- continued*

Movement in reserves

	Share premium RMB'000	Share option reserve RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2017	768,255	51,873	—	(527,721)	292,407
Recognition of equity-settled share-based payments	—	11,585	—	—	11,585
Exercise of share options	17,048	(6,059)	—	—	10,989
Loss and the total comprehensive expense for the year	—	—	—	13,719	13,719
At 31 December 2017	785,303	57,399	—	(514,002)	328,700
Recognition of equity-settled share-based payments	—	72,338	—	—	72,338
Exercise of share options	12,629	(4,535)	—	—	8,094
Repurchase of ordinary shares	—	—	(10,117)	—	(10,117)
Loss and the total comprehensive expense for the year	—	—	—	93,448	93,448
At 31 December 2018	**797,932**	**125,202**	**(10,117)**	**(420,554)**	**492,463**

30. SHARE-BASED PAYMENT TRANSACTION

Share option scheme

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

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

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

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

An offer of grant of an option shall remain open for acceptance by the Eligible Participants concerned for such period as determined by the board, which period shall not be more than fourteen days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the 22 October 2011 or after the Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HK$1 to the Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price.

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

30. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

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

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

Types	Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year (Note)	Outstanding at 31 December 2018
Share options granted on 5 May 2015:					
Batch I	20,871,600	—	(2,926,000)	(400)	17,945,200
Batch II	22,026,000	—	(2,854,800)	(400)	19,170,800
Batch III	22,432,400	—	(1,031,600)	(981,600)	20,419,200
Batch IV	22,432,400	—	—	(1,298,000)	21,134,400
Batch V	22,432,400	—	—	(1,298,000)	21,134,400
Share options granted on 10 May 2018:					
Batch I	—	40,256,000	—	(320,000)	39,936,000
Batch II	—	40,256,000	—	(320,000)	39,936,000
Batch III	—	40,256,000	—	(320,000)	39,936,000
Batch IV	—	40,256,000	—	(320,000)	39,936,000
Batch V	—	40,256,000	—	(320,000)	39,936,000
Share options granted on 29 August 2018:					
Batch I	—	1,080,000	—	—	1,080,000
Batch II	—	1,080,000	—	—	1,080,000
Batch III	—	1,080,000	—	—	1,080,000
Batch IV	—	1,080,000	—	—	1,080,000
Batch V	—	1,080,000	—	—	1,080,000
Total	110,194,800	206,680,000	(6,812,400)	(5,178,400)	304,884,000
Exercisable at the end of the year					57,535,200
Weighted average exercise price					HK$2.238

30. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

The following table discloses movements in the Company's share options held by directors and employees during the year ended 31 December 2017:

	Number of shares subject to share options			
Types	Outstanding at 1 January 2017	Exercised during the year	Lapsed during the year (Note)	Outstanding at 31 December 2017
Batch I	25,948,800	(5,075,400)	(1,800)	20,871,600
Batch II	26,018,400	(3,591,800)	(400,600)	22,026,000
Batch III	26,018,400	—	(3,586,000)	22,432,400
Batch IV	26,018,400	—	(3,586,000)	22,432,400
Batch V	26,018,400	—	(3,586,000)	22,432,400
Total	130,022,400	(8,667,200)	(11,160,400)	110,194,800
Exercisable at the end of the year				42,897,600
Weighted average exercise price				HK$1.464

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK$2.527 (2017: HK$1.858).

Note: Certain employees resigned during the year and respective share options lapsed accordingly.

30. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

Details of specific categories of share options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise Price HK$
5 May 2015:			
Batch I	12 months	5 May 2016- 4 May 2025	1.464
Batch II	24 months	5 May 2017- 4 May 2025	1.464
Batch III	36 months	5 May 2018- 4 May 2025	1.464
Batch IV	48 months	5 May 2019- 4 May 2025	1.464
Batch V	60 months	5 May 2020- 4 May 2025	1.464
10 May 2018:			
Batch I	12 months	10 May 2019- 9 May 2028	2.630
Batch II	24 months	10 May 2020- 9 May 2028	2.630
Batch III	36 months	10 May 2021- 9 May 2028	2.630
Batch IV	48 months	10 May 2022- 9 May 2028	2.630
Batch V	60 months	10 May 2023- 9 May 2028	2.630
29 August 2018:			
Batch I	12 months	29 August 2019- 28 August 2028	2.060
Batch II	24 months	29 August 2020- 28 August 2028	2.060
Batch III	36 months	29 August 2021- 28 August 2028	2.060
Batch IV	48 months	29 August 2022- 28 August 2028	2.060
Batch V	60 months	29 August 2023- 28 August 2028	2.060

30. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

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

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

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

Batch	Number of options	Expected life year	Initial underlying HK$	Exercise price HK$	Risk free rate %	Dividend yield %	Volatility %
Share options granted on 5 May 2015							
Batch I	32,000,000	7.75	1.410	1.464	1.51	—	55.33
Batch II	32,000,000	8.00	1.410	1.464	1.52	—	55.12
Batch III	32,000,000	8.25	1.410	1.464	1.53	—	54.62
Batch IV	32,000,000	8.50	1.410	1.464	1.55	—	54.18
Batch V	32,000,000	8.75	1.410	1.464	1.56	—	54.19

30. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

Batch	Number of options	Expected life year	Initial underlying HK$	Exercise price HK$	Risk free rate %	Dividend yield %	Volatility %
Share options granted on 10 May 2018							
Batch I	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch II	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch III	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch IV	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch V	40,256,000	10	2.630	2.630	2.162	—	49.77
Share options granted on 29 August 2018							
Batch I	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch II	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch III	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch IV	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch V	1,080,000	10	2.020	2.060	2.158	—	47.44

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

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

For the year ended 31 December 2018, the Group recognised approximately RMB60,265,000 (2017: approximately RMB9,042,000) share-based payment expenses in the profit or loss. In addition, approximately RMB425,000 (2017: nil), approximately RMB9,315,000 (2017: approximately RMB2,278,000) and approximately RMB2,333,000 (approximately 2017: RMB265,000) was capitalised in construction in progress, development costs and inventories, respectively.

31. OPERATING LEASES

The Group as lessee

	2018 RMB'000	2017 RMB'000
Minimum lease payments paid under operating leases in respect of rented premises and during the year	13,732	10,344

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:

	2018 RMB'000	2017 RMB'000
Within one year	10,542	3,896
In the second to fifth years inclusive	15,669	1,991
Over five years	291	—
	26,502	5,887

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

	2018 RMB'000	2017 RMB'000
Properties rental income	35,252	10,548

31. OPERATING LEASES - *continued*

At the end of the reporting period, the Group had contracted with tenants committed for 3 years for the following future minimum lease payments:

	2018 RMB'000	2017 RMB'000
Within one year	**39,863**	28,601
In the second to third years inclusive	**99,915**	102,283
	139,778	130,884

32. CAPITAL COMMITMENTS

	2018 RMB'000	2017 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the consolidated financial statements	**12,093**	39,907

33. RETIREMENT BENEFITS SCHEME

The Group operates numbers of defined contribution plans across its geographies, the PRC retirement benefit scheme is the retirement arrangement of material size. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiaries are required to contribute certain percentage of payroll costs to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong.

The total cost paid or payable of approximately RMB12,047,000 for the year ended 31 December 2018 (2017: RMB9,667,000).

34. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 27, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

The directors review the capital structure regularly. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure mainly through new share issues and share buy-backs.

35. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2018 RMB'000	2017 RMB'000
Financial assets		
Mandatorily measured at FVTPL		
– unlisted participating shares	135,343	—
– unlisted fund	34,522	—
Financial assets at amortised cost		
(including cash and cash equivalents)	520,393	—
Loans and receivables (including cash and cash equivalents)	—	561,260
Financial liabilities		
Amortised cost	93,115	65,050

(b) Financial risk management objectives and policies

The Group's major financial instruments include financial assets at FVTPL, trade receivables, other receivables, pledged bank deposit, fixed bank deposit, bank balances and cash, trade and other payables and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

35. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Market risk

Currency risk

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

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

	2018 RMB'000	2017 RMB'000
Assets		
USD	**127,559**	88,796
Euro ("EUR")	**47,055**	34,822
Hong Kong Dollars ("HKD")	**19,235**	5,250
India Rupees ("INR")	**13,412**	16,439
Liabilities		
USD	**32,023**	8,534
EUR	**988**	781
HKD	**215**	1,150
INR	**126**	960

35. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Market risk - continued

Currency risk - continued

Sensitivity analysis

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

For the years ended 31 December 2018 and 2017, a positive (negative) number below indicates an increase (a decrease) in profit after tax where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit for the year.

	2018 RMB'000	2017 RMB'000
USD		
Profit or loss	**(4,060)**	(3,411)
EUR		
Profit or loss	**(1,958)**	(1,447)
HKD		
Profit or loss	**(808)**	(174)
INR		
Profit or loss	**(565)**	(658)

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

35. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Market risk - continued

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank deposit. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings.

Management considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant as the management does not anticipate a material change in interest rate on bank balances.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR arising from the Group's USD denominated bank borrowings (2017: nil bank borrowings).

Sensitivity Analysis

As at 31 December 2018, 50 basis points increase or decrease in LIBOR was not significant to the consolidated financial statements. Accordingly, no sensitivity analysis was performed.

Other price risk

The Group is exposed to equity price risk through its investment in ABG-Grail and the Fund measured at FVTPL. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The sensitivity analysis for ABG-Grail and the Fund with fair value measurement categorised within Level 3 were disclosed in note 35(c).

Credit risk and impairment assessment

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

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed regularly. In addition, the Group performs impairment assessment under ECL model upon application of IFRS 9 (2017: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The Group has concentration of credit risk as 65.2% (2017: 45%) of the total trade receivables was due from the Group's five largest customers within the structural heart diseases and peripheral vascular diseases business segments. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 55% (2017: 64%) of the total debtors as at 31 December 2018.

35. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Credit risk and impairment assessment - continued

Other receivables/bank balances

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

The Group also has concentration of credit risk of the other receivable from an independent third party as detailed in note 22 (ii).

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

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL-not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due date but usually settle after due date	Lifetime ECL-not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL -not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

35. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Credit risk and impairment assessment - continued

Other receivables/bank balances - continued

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2018	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
					RMB'000	RMB'000
Financial assets at amortised cost						
Pledged bank deposit	23	AA+	N/A	12-month ECL		30,000
Bank balances	23	AA+	N/A	12-month ECL		352,577
Fixed bank deposit	23	AA+	N/A	12-month ECL		5,000
Other receivables	22	N/A	Low risk	12-month ECL	3,293	
			Watch List	12-month ECL	39,351	42,644
Trade receivables	21	N/A	(Note)	Lifetime ECL		
			Loss	(provision matrix)	95,696	
				Credit-impaired	937	96,633

* The gross carrying amounts disclosed above include the relevant interest receivables which presented in other receivables.

Note: For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

35. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Credit risk and impairment assessment - continued

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its Manufacturing Business. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 December 2018 within lifetime ECL (not credit impaired). Debtors with credit-impaired with gross carrying amounts of RMB937,000 respectively as at 31 December 2018 were assessed individually.

Internal credit rating	Average loss rate	Trade receivables RMB'000
Low risk	0.1%	65,745
Watch list	2.15%	18,871
Doubtful	6.28%-40.31%	11,080
		95,696

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

35. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 31 December 2017 under IAS 39	—	136	136
Adjustment upon application of IFRS 9	2,805	1,162	3,967
	2,805	1,298	4,103
As at 1 January 2018 - As restated			
Changes due to financial instruments recognised as at 1 January:			
– Transfer to credit impairment	(9)	9	—
– Impairment losses reversed	(349)	(372)	(721)
New financial assets originated	2,144	2	2,146
As at 31 December 2018	4,591	937	5,528

Changes in the loss allowance for trade receivables are mainly due to:

	31 December 2018 Increase/(Decrease) in lifetime ECL	
	Not Credit-impaired RMB'000	credit-impaired RMB'000
One trade debtor who is under Doubtful rating with a gross carrying amount of RMB9,008,000 (2017: 5,537,000)	1,399	—
Settlement in full of trade debtors with a gross carrying amount of RMB372,000	—	372

35. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

The following table shows the movement in 12-month ECL that has been recognised for other receivables.

	12-month ECL RMB'000
As at 31 December 2017 under IAS 39	—
Adjustment upon application of IFRS 9	681
As at 1 January 2018 - As restated	681
Changes due to financial instruments recognised as at 1 January:	
– Impairment losses reversed	(310)
New financial assets originated	562
As at 31 December 2018	933

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows. To the extent that interest flows are variable rate, the undiscounted amount is driven from interest rate at the end of reporting period.

35. FINANCIAL INSTRUMENTS - *continued*

(b) Financial risk management objectives and policies - *continued*

Liquidity risk - continued

Liquidity and interest risk tables

	Interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 - 5 years RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2018							
Non-derivative financial liabilities							
Trade and other payables		59,489	8,472	1,133	–	69,094	69,094
Bank borrowings	4.48 - 4.94	–	–	3,536	22,372	25,908	24,021
Total		59,489	8,472	4,669	22,372	95,002	93,115
At 31 December 2017							
Non-derivative financial liabilities							
Trade and other payables		42,623	6,714	15,713	–	65,050	65,050

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets.

Some of the Group's financial assets are measured at fair value for financial reporting purposes. The management of the Company engaged an independent qualified professional valuer to determine the appropriate valuation techniques and inputs for fair value measurements.

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Fair value hierarchy as at 31 December 2018

	Level 3 RMB'000
Financial assets at FVTPL	
Unlisted participating shares	135,343
Unlisted fund	34,522
	169,865

35. FINANCIAL INSTRUMENTS - *continued*

(c) Fair value measurements of financial instruments - *continued*

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis - continued

There were no financial instruments that are measured at fair value as at 31 December 2017.

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2018	31 December 2017			
Unlisted participating shares	Participating shares in a company engaged in fund investment - RMB135,343,000	—	Level 3	Market approach - in this approach, the net assets value of the investee is adjusted by using premium over net assets value of listed entities in similar industries.	Premium over net assets value of listed entities in similar industries.
Unlisted fund	Interests in a limited partnership engaged in fund investment - RMB34,522,000	—	Level 3	Market approach - in this approach, the net assets value of the investee is adjusted by using premium over net assets value of listed entities in similar industries.	Premium over net assets value of listed entities in similar industries.

A slight increase in the discount rate used in isolation would result in a slight decrease in the fair value of unlisted participating shares and unlisted fund, and vice versa. A 5% increase/decrease in the premium over net assets value was not significant to the consolidated financial statements. Accordingly, no sensitive analysis was performed.

35. FINANCIAL INSTRUMENTS - *continued*

(c) Fair value measurements of financial instruments - *continued*

(ii) Reconciliation of Level 3 fair value measurements

31 December 2018

	Unlisted participating share RMB'000	Unlisted funds RMB'000	Total RMB'000
Opening balance	—	—	—
Purchases	127,340	38,202	165,542
Loss from fair value changes	(1,900)	(6,586)	(8,486)
Unrealised exchange gain	9,903	2,906	12,809
Closing balance	135,343	34,522	169,865

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in consolidated financial statements, approximately equal to their fair value.

36. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to a shareholder RMB'000	Bank borrowings RMB'000
At 1 January 2017	5,377	200,000
Financing cash flows	(5,377)	(200,812)
Interest expenses	—	812
At 31 December 2017	—	—
Financing cash flows	—	23,739
Interest expenses	—	282
At 31 December 2018	—	24,021

37. RELATED PARTY DISCLOSURES

(a) Transactions

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

Nature of transactions	2018 RMB'000	2017 RMB'000
Purchase of goods from Medtronic	—	724
Royalty fee paid to Medtronic	4,264	9,106
Pacemaker project consulting fees paid to Medtronic	1,193	5,596
Revenue from sales of goods to Enke Medical	—	296

Note: Medtronic disposed all of its equity securities of the Company on 5 May 2018 and it is no longer a related party of the Company since then.

37. RELATED PARTY DISCLOSURES - *continued*

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended 31 December 2018 and 2017 were as follows:

	2018 RMB'000	2017 RMB'000
Share-based payment	38,186	5,803
Short-term employee benefits	5,658	6,202
Post-employment benefits	362	352
	44,206	12,357

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

38. INTERESTS IN PRINCIPAL SUBSIDIARIES

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company 2018	2017	Principal activities
Lifetech Scientific India Private Ltd.	India	INR6,573,680	100%*	100%*	Trading of medical devices
LifeTech Scientific (Hong Kong) Co., Ltd. 先健科技(香港)有限公司	Hong Kong	HKD1	100%	100%	Investment holding
Δ#Lifetech Scientific (Shenzhen) Co., Ltd. 先健科技(深圳)有限公司	The PRC	RMB100,000,000	100%	100%	Developing, manufacturing and trading of medical devices
ΔShenzhen Lifetech Material Biological Technology Co., Ltd. 深圳市先健生物材料技術有限公司	The PRC	RMB11,110,000	72%*	72%*	Trading of medical devices, biomedical research and development
LifeTech Scientific (Europe) Coöperatief U. A.	Netherlands	EUR2,000	100%*	100%*	Investment holding
Lios Investment Corporation	British Virgin Islands	USD10	100%*	100%*	Investment holding
LifeTech Scientific (Netherlands) B.V.	Netherlands	EUR18,000	100%*	100%*	Trading of medical devices
Lios Russia LLC	Russia	RUB10,000	100%*	100%*	Trading of medical devices
LifeTech Scientific Holdings Limited	British Virgin Islands	USD50,000	100%	100%	Investment holding
LifeTech Scientific Medical Devices Limited	British Virgin Islands	USD50,000	100%	100%	Investment holding
LifeTech Scientific International Investments Limited	British Virgin Islands	USD50,000	100%	100%	Investment holding
Lifetech Scientific America Corporation	USA	USD50,000	100%*	100%*	Investment holding
LifeTech Scientific Trading Limited	Hong Kong	HKD1	100%*	100%*	Trading of medical devices
Vast Medical Limited	Greece	EUR30,000	100%*	100%*	Trading of medical devices

38. INTERESTS IN PRINCIPAL SUBSIDIARIES - *continued*

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company		Principal activities
			2018	2017	
△深圳市先健呼吸科技有限公司	The PRC	RMB1,000,000 (i)	**100%***	100%*	Biomedical research and development, consulting services
△深圳市領先醫療服務有限公司	The PRC	RMB1,000,000 (i)	**70%***	70%*	Consulting services, technological service
△深圳市先健心康電子醫療有限公司	The PRC	RMB10,000,000 (i)	**70%***	100%*	Developing and trading of medical devices
△東莞先健新材料科技有限公司	The PRC	RMB1,000,000	**100%***	100%*	Developing, manufacturing and trading of new materials
△東莞市先健醫療有限公司	The PRC	RMB50,000,000 (i)	**100%* (ii)**	–	Developing, manufacturing and trading of medical devices
△東莞先健暢通醫療有限公司	The PRC	RMB10,000,000 (i)	**100%* (ii)**	–	Developing, manufacturing and trading of medical devices

* Indirectly held through subsidiaries.

\# A wholly foreign owned enterprise.

△ Limited liability company established in the PRC.

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

The directors consider none of the non-wholly owned subsidiaries of the Group has a material non-controlling interest, and accordingly, no summarised financial information in respect of any of these subsidiaries has been presented.

Notes:

(i) Subscribed registered capital has not fully paid at the year end of 2018.

(ii) The subsidiaries were set up on August 2018.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.