

INTERIM REPORT  
**2019**



**LifeTech Scientific Corporation**  
**先健科技公司**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302

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## EXECUTIVE DIRECTORS

XIE Yuehui

*(Chairman and Chief Executive Officer)*

LIU Jianxiong

*(Executive Vice President, Chief Financial Officer  
and Company Secretary)*

ZHANG Deyuan

*(President and Chief Technology Officer)*

*(resigned on 28 March 2019)*

## NON-EXECUTIVE DIRECTOR

JIANG Feng

FU Feng (appointed on 28 August 2019)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph

WANG Wansong

ZHOU Luming

## COMPANY SECRETARY

LIU Jianxiong

## AUTHORISED 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)*

XIE Yuehui

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](http://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 ADVISER

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 HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”, each a “Director”) of LifeTech Scientific Corporation (the “Company” or “Lifetech”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2019 together with the comparative figures for the corresponding period of 2018.

	Six months ended 30 June		
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)	Change
Revenue	308,509	246,879	25.0%
Gross profit	253,690	204,225	24.2%
Operating profit	113,858	93,534	21.7%
Income tax	(16,250)	(28,522)	-43.0%
Profit for the period	92,513	67,463	37.1%
Profit for the period attributable to owners of the Company	92,378	67,329	37.2%
Earnings per share			
– Basic	RMB2.1 cents	RMB1.6 cents	31.3%
– Diluted	RMB2.1 cents	RMB1.5 cents	40.0%

## BUSINESS OVERVIEW

The Group is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular, peripheral vascular diseases and disorders. We have three main product lines, including structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. The structural heart diseases business mainly includes congenital heart diseases occluder and Left Atrial Appendage occluder; the peripheral vascular diseases business mainly includes vena cava filter and stent graft; the cardiac pacing and electrophysiology business mainly includes cardiac pacemakers and cardiac pacing lead. 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.

## FIRST-HALF PERFORMANCE

In the first half year of 2019, the reform of medical insurance payment methods and bidding policies had continued to deepen. In a short term, the operating results of the medical device industry in China will face challenges, but the rigid market demand brought about by aging population, urbanization and improvement of residents' health awareness, has still been driving the steady growth of the industry.

During the six months ended 30 June 2019, the Group achieved a revenue of approximately RMB308.5 million with an increase of approximately RMB61.6 million or approximately 24.9% as compared with the revenue of approximately RMB246.9 million for the six months ended 30 June 2018. China is still our largest market, the sales generated from the Chinese market accounted for approximately 75.9% of our total revenue for the six months ended 30 June 2019 (corresponding period of 2018: approximately 78.5%). Our domestic sales increased by approximately 20.9% while overseas sales increased by approximately 39.8% as compared with the corresponding period of 2018. The significant increase in overseas sales was primarily attributable to the effective sales strategies and the establishment of long-term stable sales channel.

Net profit attributable to owners of the Company for the six months ended 30 June 2019 was approximately RMB92.4 million, with an increase of approximately RMB25.1 million or 37.3% as compared with a net profit of approximately RMB67.3 million for the six months ended 30 June 2018.

## SALES AND MARKETING

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

## RESEARCH AND DEVELOPMENT AND INTELLECTUAL PROPERTY RIGHTS

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

During the six months ended 30 June 2019, External Temporary Pacemaker which was developed by Lifetech independently, was approved to be marketed in the United States by the US Food and Drug Administration (“FDA”), and LAmbré™ Left Atrial Appendage (“LAA”) Closure System obtained approval for an investigational device exemption application from FDA. Meanwhile, GoldenFlow™ Peripheral Bare Stent System, External Temporary Pacemaker and Absnow™ Absorbable Atrial Septal Defect Closure System have passed the special review application of National Medical Products Administration (“NMPA”) and been approved as innovative medical devices successively. As at the date of this interim report, nine products of the Company have been approved as innovative medical devices by the NMPA.

Intellectual property is an important intangible asset of the Group, also an internal driving force to improve our core competitiveness in the medical device market. During the six months ended 30 June 2019, the Group has filed 36 patent applications while 46 patents were registered. As at 30 June 2019, the Group has filed a total of 911 patent applications, of which 245 were registered.

## STRATEGIC COOPERATION

In June 2019, the Company and Sorrento Therapeutics Inc. (NASDAQ: SRNE) (the “Sorrento Therapeutics”) jointly established a joint venture, Shenzhen Yunma Biotechnology Co., Ltd. (深圳市雲麻生物科技有限公司, the “Shenzhen Yunma”). Yunnan Masheng Health Science Co., Ltd. (雲南麻省健康科學有限公司, the “Yunnan Masheng”), the subsidiary of Shenzhen Yunma, has obtained the “Yunnan Industrial Hemp Planting License” and the “Reply to the Application for Industrial Hemp Processing to Yunnan Masheng Health Science Co., Ltd.”, and has been permitted to commence the planting of industrial hemp and the establishment of an industrial hemp flowers and leaves extraction processing line (the “Production Line”). The Company and Sorrento Therapeutics will continue their investments to facilitate the completion of the Production Line and subsequent approval procedures by the competent authorities as soon as practicable and the timely issuance of the “Yunnan Industrial Hemp Processing License” for the materialization of the Production Line, which will carry out cannabidiol (“CBD”) extraction and processing business. For further details, please refer to announcement of the Company dated 4 June 2019.

In June 2019, the Company has entered into a cooperation framework agreement with Sorrento Therapeutics, pursuant to which, (i) upon the initiation of the cooperation on the industrial hemp layout via Shenzhen Yunma, Sorrento Therapeutics and the Group shall further collaborate to establish Scintilla Health, Inc. (“Scintilla Health”) in the U.S. for the research and development, production and commercialization of water-soluble cannabidiol and other water-soluble cannabinoids (“Water-Soluble Cannabinoids”) products (to the extent legally permissible) in the global market outside Asia; and (ii) Sorrento Therapeutics shall grant the exclusive long-term license at nil consideration to Shenzhen Yunma in Asia (ex-Japan) and Scintilla Health in other regions outside Asia, respectively, for the research and development, production and commercialization of Water-Soluble Cannabinoids, using its proprietary water-soluble formula technology. The Company has further entered into a scientific research cooperation framework agreement with Sorrento Therapeutics and Yunnan Key Laboratory of Primate Biomedicine Research\* (雲南中科靈長類生物醫學重點實驗室), pursuant to which the three parties will jointly cooperate in medical research and development on the application of industrial hemp, CBD and cannabinoid in the treatment of neurological diseases such as Parkinson’s disease and Alzheimer’s disease (senile dementia). Furthermore, Shenzhen Yunma has entered into a scientific research cooperation framework agreement with Shenzhen Institutes of Advanced Technology, Chinese Academy of Sciences, pursuant to which the parties will jointly cooperate in medical research and development on the application of industrial hemp, CBD and cannabinoid in the treatment of neurological diseases such as autism and depression. For further details, please refer to announcements of the Company dated 4 June 2019.

In April 2019, the Company entered into a Strategic Collaboration Agreement with ABG Innovation-Quantum Limited, an investment holding company controlled by Ally Bridge Group, a cross-border life science investment group (“ABG”) and Quantum Surgical SAS (“Quantum Surgical”), an innovative surgical robotics company registered in France, and an industrial pioneer focused on R&D, design, manufacturing and servicing activities of a surgical robot platform for interventional oncology and its commercialization, to establish a joint venture in Guangdong, China (the “JV”) that focuses on the R&D and commercialization of specified products (including Quantum Integrated Robotized Platform for Interventional Oncology and next generation versions, etc.) (the “Innovative Surgical Robot”), particularly for liver cancer treatment in China. In June 2019, the JV namely Dongguan LifeTech-Quantum Medical Technology Co., Ltd. (“LifeTech-Quantum”) was established. Lifetech-Quantum shall leverage on the technological advantages, online platforms and capital support of the parties thereof, so as to enhance the pace in obtaining permission to launch in the Chinese market and the commercialization arrangements of the Innovative Surgical Robot, thus benefitting cancer patients in China. For further details, please refer to announcement of the Company dated 3 April 2019 and 26 June 2019.



## FINANCIAL REVIEW

### OVERVIEW

Despite facing a challenging environment with fierce competitions in the medical device market, the revenue of the Company still achieved substantial growth for the six months ended 30 June 2019.

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

### REVENUE

Our revenue was approximately RMB308.5 million for the six months ended 30 June 2019, with an increase of approximately RMB61.6 million or approximately 24.9% as compared with the revenue of approximately RMB246.9 million for the six months ended 30 June 2018. The increase was primarily attributable to the increase of revenue from Cera and HeartR occluders, stent grafts and LAmbre™ LAA occluder.

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

The turnover contributed by the structural heart diseases business for the six months ended 30 June 2019 was approximately RMB123.4 million (corresponding period of 2018: approximately RMB82.9 million), representing an increase of approximately 48.9%.

With the diversification of product portfolio, our products cover a wide spectrum of the structural heart diseases business, which mainly includes LAA occluder and three generations of congenital heart occluders named HeartR, Cera and CeraFlex. As compared with the corresponding period of 2018, the revenue generated from the sales of HeartR occluders increased by approximately 34.2%, Cera occluders increased by approximately 68.1% and CeraFlex occluders increased by approximately 42.2% for the six months ended 30 June 2019.

The revenue generated from the sales of LAmbre™ LAA occluder was approximately RMB25.9 million for the six months ended 30 June 2019 (corresponding period of 2018: approximately RMB17.6 million), representing a growth of approximately 47.2%.

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

The turnover contributed by the peripheral vascular diseases business for the six months ended 30 June 2019 was approximately RMB183.2 million (corresponding period of 2018: approximately RMB164.0 million), representing a growth of approximately 11.7%.

The products we offered in the peripheral vascular diseases business mainly included vena cava filter, Thoracic Aortic Aneurysm stent graft, Abdominal Aortic Aneurysm stent graft and Fustar™ steerable introducer. As compared with the corresponding period of 2018, the revenue generated from the sales of stent grafts increased by approximately 11.7% and vena cava filter increased by approximately 8.1% for the six months ended 30 June 2019.

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

HeartTone™ implantable cardiac pacemaker (“HeartTone™ pacemaker”) was launched in August 2018. The revenue generated from the sales of HeartTone™ pacemaker was approximately RMB 1.9 million for the six months ended 30 June 2019 (corresponding period of 2018: nil).

In the first half year of 2019, Lifetech and Medtronic, Inc. or its affiliates (“Medtronic”) worked together to facilitate tender process and accelerate admission of products to hospitals. It is expected that the sales of HeartTone™ pacemaker will be greatly increased in the subsequent half year.

### **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 24.2% from approximately RMB204.2 million for the six months ended 30 June 2018 to approximately RMB253.7 million for the six months ended 30 June 2019.

Gross profit margin decreased by approximately 0.5% from approximately 82.7% for the six months ended 30 June 2018 to approximately 82.2% for the six months ended 30 June 2019. The decrease was mainly due to the negative gross profit of HeartTone™ pacemaker, which was driven by low production volume of HeartTone™ pacemaker with comparatively high fixed depreciation cost of the production line at current stage.

### **OTHER INCOME AND OTHER GAINS**

Other income and other gains increased from RMB13.8 million for the six months ended 30 June 2018 to approximately RMB27.3 million for the six months ended 30 June 2019, which was mainly attributable to (i) an increase in rental income of the building, which situated at High-Tech Industrial Park, Nanshan District, Shenzhen, PRC; and (ii) an increase in government grants.

### **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses increased by approximately 32.7% from approximately RMB47.7 million for the six months ended 30 June 2018 to approximately RMB63.3 million for the six months ended 30 June 2019. The increase was primarily due to (i) an increase in marketing expenses, especially for LAMBRE™ LAA occluder; and (ii) an increase in staff costs.

### **ADMINISTRATIVE EXPENSES**

Administrative expenses increased by approximately 28.7% from approximately RMB35.9 million for the six months ended 30 June 2018 to approximately RMB46.2 million for the six months ended 30 June 2019. The increase was primarily due to an increase in staff costs, which was mainly driven by the increase in share-based payment expenses under the share option scheme.

### **RESEARCH AND DEVELOPMENT EXPENSES**

Research and development expenses increased by approximately 40.8% from approximately RMB40.9 million for the six months ended 30 June 2018 to approximately RMB57.6 million for the six months ended 30 June 2019. In addition, during the current period, approximately RMB23.9 million (corresponding period of 2018: approximately RMB19.5 million) was capitalised in development expenditure. Considering such capitalised expenditure, research and development cost increased by approximately 34.9% from approximately RMB60.4 million for the six months ended 30 June 2018 to approximately RMB81.5 million for the six months ended 30 June 2019. The increase was primarily due to (i) an increase in direct expenditure of research and development projects; and (ii) an increase in staff costs, which was mainly driven by the increase in share-based payment expenses under the share option scheme.

## OPERATING PROFIT

During the six months ended 30 June 2019, we recorded an operating profit of approximately RMB113.9 million, which represented an increase of approximately 21.8% as compared with the operating profit of approximately RMB93.5 million for the six months ended 30 June 2018. Such increase was primarily due to (i) the growth of sales revenue; and (ii) the increase of other income and other gains resulting from rental income.

## FAIR VALUE AND NET EXCHANGE GAINS ON FINANCIAL ASSETS

In May 2018, the Group invested USD20.0 million (equivalent to approximately RMB127.3 million) to subscribe for an equity interest in ABG-Grail Limited (“ABG-Grail”), a limited company established in British Virgin Islands, in order to indirectly acquire a minority equity interest in Grail, Inc. (“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 of 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 (equivalent to approximately RMB38.2 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 11 to the condensed consolidated financial statements in this interim report.

During the six months ended 30 June 2019, the loss on fair value changes of financial assets was approximately RMB1.2 million, and the unrealized foreign exchange gain of financial assets was approximately RMB0.3 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

Finance income decreased by approximately 52% from approximately RMB2.5 million for the six months ended 30 June 2018 to approximately RMB1.2 million for the six months ended 30 June 2019.

During the six months ended 30 June 2019, finance costs was approximately RMB6.3 million, arising from the loan interest and other financing cost on bank borrowings (corresponding period of 2018: nil).

## INCOME TAX

Income tax decreased from approximately RMB28.5 million for the six months ended 30 June 2018 to approximately RMB16.3 million for the six months ended 30 June 2019. The decrease was mainly due to the income tax generated by Lifetech Scientific (Shenzhen) Co., Ltd. (“Lifetech Shenzhen”) allocating profits to the parent company in 2018, which amounted to approximately 13.9 million.

## NET PROFIT

Net profit attributable to owners of the Company for the six months ended 30 June 2019 was approximately RMB92.4 million, representing an increase of approximately 37.3% as compared with a net profit of approximately RMB67.3 million for the six months ended 30 June 2018. The increase was mainly attributable to (i) the growth of sales revenue; (ii) the increase of other income and other gains resulting from rental income; and (iii) the decrease of income tax.

## LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2019, the Group mainly financed its operations with its own working capital, bank borrowings and equity funding.

The Group recorded total current assets of approximately RMB662.4 million as at 30 June 2019 (31 December 2018: approximately RMB578.0 million) and total current liabilities of approximately RMB305.9 million as at 30 June 2019 (31 December 2018: approximately RMB208.3 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 2.17 as at 30 June 2019 (31 December 2018: approximately 2.77).

## BORROWINGS

On 24 May 2019, Lifetech, acting as the borrower, entered into a loan agreement (the “Loan Agreement”) with China Minsheng Banking Corp., Ltd, Hong Kong Branch (the “Lender”), pursuant to which the Lender agreed to lend the loan amount of HKD300.0 million (equivalent to approximately RMB263.9 million) to Lifetech, with 6-month Hongkong Interbank Offered Rate floating upwards 3%-4% commencing on the day on which the loan is drawn from the bank, for a term of three years subject to the terms and conditions under the Loan Agreement. Lifetech Scientific Trading Limited, being one of our key operating subsidiaries in Hong Kong, acting as the guarantor under the Loan Agreement.

As at 30 June 2019, bank borrowings were approximately RMB310.8 million (31 December 2018: approximately RMB24.0 million) and the interest incurred therefrom was approximately RMB2.4 million in 2019 (corresponding period of 2018: nil) which was recognised as finance costs.

## GEARING RATIO

As at 30 June 2019, the gearing ratio (calculated as a ratio of bank borrowings to total equity) of the Group was approximately 22.7% (31 December 2018: approximately 1.9%).

## CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB1,362.9 million as at 30 June 2019 as compared with approximately RMB1,240.4 million as at 31 December 2018.

## **LAND ACQUISITION**

On 26 June 2019, Dongguan LifeTech Medical Co., Ltd (東莞市先健醫療有限公司), a wholly-owned subsidiary of the Company entered into a land use right transfer contract with Dongguan Natural Resources Bureau (東莞市自然資源局) for the acquisition of land use right of a land which has a site area of 43,604 square meters located at the southeast of the intersection of South 1 Road and South 8 Road in eastern Songshan Lake, Dongguan, Guangdong, PRC (the “Land”). The land use right was acquired at a total consideration of RMB43,610,000. For further details, please refer to announcement of the Company dated 26 June 2019.

The deed tax arising from the land acquisition amounts to approximately RMB1,308,000.

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

Save as disclosed in this interim report, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2019.

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

Save as disclosed in this interim report, there were no significant investments held by the Company for the six months ended 30 June 2019, nor was there any plan authorised by the Board for other material investments or additions of capital assets as at the date of this interim report.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 30 June 2019.

## **FINANCIAL INSTRUMENT**

During the six months ended 30 June 2019, the Group did not have or use any financial instruments for hedging purpose.

## **CAPITAL EXPENDITURE**

For the six months ended 30 June 2019, 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 RMB51.1 million (corresponding period of 2018: approximately RMB53.3 million).

## **FOREIGN EXCHANGE RISK**

During the six months ended 30 June 2019, the Group’s operations were primarily based in the PRC and Europe. The revenue derived from Europe accounted for approximately 9.9% (corresponding period of 2018: approximately 6.9%) of the total revenue of the Group. There were currency fluctuations among Euro, US Dollars, Indian Rupees and HK 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.

## CHARGES ON GROUP ASSETS

As at 30 June 2019, the Group did not have any charges on its assets.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 751 (corresponding period of 2018: 663) full time employees and two executive Directors (corresponding period of 2018: three). Total staff costs, including Directors' emoluments, amounted to approximately RMB68.8 million for six months ended 30 June 2019 (corresponding period of 2018: approximately RMB55.3 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. The amount of contributions to retirement benefits scheme for the six months ended 30 June 2019 was approximately RMB6.5 million (corresponding period of 2018: approximately RMB5.1 million). Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used by the Group to reduce the existing level of contributions.

The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employees, 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. The share option scheme was also adopted for employees of the Group on 22 October 2011 which was subsequently amended by unanimous written resolutions of the Board on 5 May 2015 (the "Share Option Scheme"). The Company has adopted the share award scheme on 28 December 2018, which was subsequently amended by unanimous written resolutions of the Board on 29 April 2019 ("Share Award Scheme"). In order to ensure that the Group's employees remain competitive in the industry, the Group also arranges training to its staff to enhance their skills and knowledge.

## FUTURE PROSPECTS

The Group will continue relying on its three core businesses, namely structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business, for potential growth in the second half of 2019. The Group will also actively expand its product offering and strengthen its established market position.

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

**COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to achieving high standards of corporate governance to safeguard the interest of its shareholders (the “Shareholders”) and enhance its corporate value. The Company has applied the principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) as its own code of corporate governance and confirms that it has complied with all material code provisions of the CG Code during the six months ended 30 June 2019, save for the deviation from code provision A.2.1 of the CG Code as mentioned below.

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

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

**THE BOARD**

The Board currently comprises seven Directors, including two executive Directors, viz. Mr. XIE Yuehui, and Mr. LIU Jianxiong; two non-executive Directors, viz. Mr. JIANG Feng and Mr. FU Feng (appointed on 28 August 2019); and three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, viz. Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming.

**MODEL CODE FOR SECURITIES TRANSACTIONS**

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

Having made specific enquiries with all the Directors, the Company confirmed that all members of the Board complied with the Model Code during the six months ended 30 June 2019.

Senior management, executives and staff who, because of their offices in the Company, are likely to possess inside information, have also been requested to comply with the provision of the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2019.

## AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

The Group’s unaudited interim results for the six months ended 30 June 2019 and accounting principles have been reviewed and discussed by the Audit Committee, which was of the opinion that the preparation of such results was in compliance with the relevant accounting standards, the Listing Rules and the applicable legal requirements, and that adequate disclosure has been made.



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

As at 30 June 2019, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

**Long positions in shares and underlying shares of the Company**

Name of Directors/ chief executive	Capacity	Number of share(s) of the Company ("Share(s)") (long position)	Approximate percentage of shareholding
Mr. XIE Yuehui	Interest of controlled corporation and beneficial owner	834,782,928 <sup>1</sup>	19.29%
Mr. LIU Jianxiong	Beneficial owner	49,620,000 <sup>2</sup>	1.15%

*Notes:*

1. These interests represented:
  - (a) 781,914,928 Shares held by Xianjian Advanced Technology Limited, which is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director;
  - (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 of the Company, details of which are set out in the section headed "Share Option Scheme" in this interim report; and
  - (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 of the Company, details of which are set out in the section headed "Share Option Scheme" in this interim report.
2. These interests represented:
  - (a) 8,000,000 Shares held by Mr. LIU Jianxiong, our Executive Vice President, executive Director, Chief Financial Officer and company secretary;
  - (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 of the Company, details of which are set out in the section headed "Share Option Scheme" in this interim report; and
  - (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 of the Company, details of which are set out in the section headed "Share Option Scheme" in this interim report.

Save as disclosed above, as at 30 June 2019, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2019, other than the interests of Directors or chief executives of the Company as disclosed under the heading "Directors' and chief executives' interests and short position in shares, underlying shares and debentures of the Company or its associated corporations" above, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares, were as follows:

#### Long positions in share of the Company

Name of Shareholders	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
Xianjian Advanced Technology Limited <sup>1</sup>	Beneficial owner	781,914,928	18.06%
Synergy Summit Limited <sup>2</sup>	Beneficial owner	422,000,000	9.75%
China Everbright Venture Capital Limited <sup>2</sup>	Interest of controlled corporation	422,000,000	9.75%
China Everbright Limited <sup>2</sup>	Interest of controlled corporation	622,000,000	14.37%
China Everbright Holdings Company Limited <sup>2</sup>	Interest of controlled corporation	622,000,000	14.37%
Honorich Holdings Limited <sup>2</sup>	Interest of controlled corporation	622,000,000	14.37%
Datten Investments Limited <sup>2</sup>	Interest of controlled corporation	622,000,000	14.37%
China Everbright Group Ltd. <sup>2</sup>	Interest of controlled corporation	622,000,000	14.37%
Central Huijin Investment Ltd. <sup>2</sup>	Interest of controlled corporation	622,000,000	14.37%
Bank of Communications Trustee Limited	Beneficial owner	303,030,000	7.00%
Wellington Investment Advisors Holdings LLP <sup>3</sup>	Interest of controlled corporation	219,195,250	5.06%
Wellington Group Holdings LLP <sup>3</sup>	Interest of controlled corporation	219,195,250	5.06%
Wellington Management Group LLP <sup>3</sup>	Interest of controlled corporation	219,195,250	5.06%

*Notes:*

1. The entire issued share capital of Xianjian Advanced Technology Limited is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director.
2. The issued share capital of the Company is held as to 9.75% and 4.62% 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..
3. 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.

Save as disclosed above, as at 30 June 2019, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO.

### **SHARE OPTION SCHEME**

The Company adopted the Share Option Scheme on 22 October 2011 and the Share Option Scheme was amended by unanimous written resolutions of the Board on 5 May 2015. Such amendment to the Share Option Scheme was made due to the transfer of listing of the Shares from the Growth Enterprise Market 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.

As at 30 June 2019, an aggregate of 366,680,000 options, was granted and subject to certain vesting conditions pursuant to the Share Option Scheme to certain eligible participants (the “Grantees”), including grant of 52,868,000 Shares and 41,620,000 Shares made to two executive Directors, namely Mr. XIE Yuehui and Mr. LIU Jianxiong respectively and grant of 57,520,000 Shares made to a former executive Director, Mr. ZHANG Deyuan (resigned on 28 March 2019). As at 30 June 2019, 134,403,200 options granted pursuant to the Share Option Scheme were vested and 116,629,200 options remain exercisable.

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 2019 to 30 June 2019:

Name	Date of grant	Vesting schedule	Option period	Exercise price	Number of Shares					
					Granted on the date of grant	Outstanding as at 1 January 2019	Exercised during the six months ended 30 June 2019	Cancelled/ Lapsed during the six months ended 30 June 2019	Outstanding as at 30 June 2019	
<b>Directors/</b>										
<b>Chief</b>										
<b>Executives</b>										
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	—	—	33,268,000	
Sub-total					<u>52,868,000</u>	<u>52,868,000</u>	<u>—</u>	<u>—</u>	<u>52,868,000</u>	
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	—	—	38,720,000	
Sub-total					<u>57,520,000</u>	<u>57,520,000</u>	<u>—</u>	<u>—</u>	<u>57,520,000</u>	
Mr. LIU Jianxiang	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	—	—	24,820,000	
Sub-total					<u>41,620,000</u>	<u>41,620,000</u>	<u>—</u>	<u>—</u>	<u>41,620,000</u>	

Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 1 January 2019	Number of Shares		
							Exercised during the six months ended 30 June 2019	Cancelled/Lapsed during the six months ended 30 June 2019	Outstanding as at 30 June 2019
<b>Other Grantees</b>									
Employees	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	44,604,000	(602,000)	(1,033,200)	42,968,800
	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	102,872,000	—	(4,402,800)	98,469,200
	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	—	—	5,400,000
Sub-total					<u>214,672,000</u>	<u>152,876,000</u>	<u>(602,000)</u>	<u>(5,436,000)</u>	<u>146,838,000</u>
Total					<u>366,680,000</u>	<u>304,884,000</u>	<u>(602,000)</u>	<u>(5,436,000)</u>	<u>298,846,000</u>

## SHARE AWARD SCHEME

The Company has adopted the Share Award Scheme on 28 December 2018, which was subsequently amended by unanimous written resolution of the Board on 29 April 2019. 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 the Group in order to attain 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 30 June 2019, 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 “Former Trustee”), the Former 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 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.

On 15 May 2019, the Company entered into a deed of novation with the Purchaser, the Former Trustee, the Vendor and Bank of Communications Trustee Limited as the new trustee (the “Trustee”), pursuant to which, among other things, the Former Trustee and the Purchaser, which is a nominee of the Former Trustee (collectively, the “Transferors”), have agreed to novate and transfer, and the Trustee has agreed to accept and acquire, all of the Transferors’ rights and obligations under the Agreement. For more details, please refer to the announcement of the Company dated 15 May 2019.

On 29 May 2019, the Trustee acquired from Synergy Summit Limited (the “Vendor”), the wholly-owned subsidiary of China Everbright Limited (“China Everbright”), 300,000,000 Shares, representing approximately 6.93% of the issued share capital of the Company (“Sales Shares”) as at the date of such acquirement. The Trustee will hold the Sale Shares on trust for the beneficiaries, i.e. the core team members and employees of the Company, including Directors and senior management of the Company, in accordance with the trust deed entered into between Company and the Trustee on 15 May 2019 and the Share Award Scheme. For more details, please refer to the announcement of the Company dated 29 May 2019.

Pursuant to the Share Award Scheme, the Trustee purchased a total of 8,084,000 Shares at cash consideration of HKD11,274,880 on the Stock Exchange during the six months ended 30 June 2019.

## **INTERIM DIVIDEND**

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (corresponding period of 2018: Nil).

## **DIRECTOR’S RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from the details as disclosed under the heading “Directors’ and chief executives’ interests and short position in shares, underlying shares and debentures of the Company or its associated corporations” above, at no time during the six months ended 30 June 2019 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

During the six months ended 30 June 2019, the Company repurchased 8,414,000 Shares on the Stock Exchange, pursuant to a general mandate granted by the Shareholders to the Directors during the annual general meeting of the Company held on 25 May 2018, and a general mandate granted by the Shareholders to the Directors during the annual general meeting of the Company held on 28 May 2019. The details of the Shares repurchased by the Company through the Stock Exchange are shown as follows:

Date of repurchase	No. of Shares	Price per Share		Aggregate consideration paid (HKD)
		Highest (HKD)	Lowest (HKD)	
3 January 2019	1,000,000	1.47	1.43	1,447,740
24 May 2019	1,000,000	1.47	1.43	1,456,260
27 May 2019	200,000	1.48	1.48	296,000
6 June 2019	1,500,000	1.49	1.45	2,207,500
12 June 2019	300,000	1.41	1.41	423,000
13 June 2019	1,000,000	1.44	1.42	1,431,620
14 June 2019	1,000,000	1.42	1.40	1,410,000
27 June 2019	1,662,000	1.42	1.39	2,334,300
28 June 2019	752,000	1.43	1.42	1,072,840
Total	8,414,000			12,079,260

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

Save as disclosed above, neither the Company nor any of its subsidiaries, purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

### SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2019.

### DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2019 containing all the relevant information required by the Listing Rules has been published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (<http://www.lifetechmed.com>).

On behalf of the Board

**LifeTech Scientific Corporation**

**XIE Yuehui**

*Executive Director, Chairman and Chief Executive Officer*

Hong Kong, 28 August 2019

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2019 together with the comparative figures for the corresponding period of 2018 and the relevant explanatory notes as set out below.

	NOTES	Six months ended 30 June	
		2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Revenue – goods	4	308,509	246,879
Cost of sales		(54,819)	(42,654)
Gross profit		253,690	204,225
Other income, expenses, other gains and losses		27,317	13,781
Selling and distribution expenses		(63,321)	(47,680)
Administration expenses		(46,196)	(35,869)
Research and development expenses		(57,632)	(40,923)
Operating profit		113,858	93,534
Finance (costs) income, net		(5,095)	2,451
Profit before tax	5	108,763	95,985
Income tax expense	6	(16,250)	(28,522)
Profit for the period		92,513	67,463
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		139	817
Other comprehensive income for the period		139	817
Total comprehensive income for the period		92,652	68,280
Profit for the period attributable to:			
Owners of the Company		92,378	67,329
Non-controlling interests		135	134
		92,513	67,463
Total comprehensive income attributable to:			
Owners of the Company		92,517	68,146
Non-controlling interests		135	134
		92,652	68,280
Earnings per share	8		
– Basic		RMB2.1 cents	RMB1.6 cents
– Diluted		RMB2.1 cents	RMB1.5 cents



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	NOTES	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	352,328	348,246
Investment properties		135,250	137,679
Intangible assets	9	224,094	202,536
Right-of-use assets	10	96,644	—
Prepaid lease payments	10	—	29,659
Deposits for acquisition of property, plant and equipment		2,795	4,481
Other receivables		216,436	—
Deferred tax assets		39,857	30,681
Financial assets at FVTPL	11	168,922	169,865
Pledged bank deposits		60,000	30,000
		<b>1,296,326</b>	<b>953,147</b>
<b>Current assets</b>			
Inventories		96,687	70,735
Trade receivables	12	53,935	91,105
Other receivables and prepayments		188,274	57,301
Prepaid lease payments	10	—	1,267
Fixed bank deposits		50,000	5,000
Bank balances and cash		273,463	352,577
		<b>662,359</b>	<b>577,985</b>
<b>Current liabilities</b>			
Trade and other payables	13	129,587	162,063
Contract liabilities		4,851	4,008
Lease liabilities		42,108	—
Tax payables		36,621	39,798
Bank borrowings	15	92,782	2,402
		<b>305,949</b>	<b>208,271</b>
<b>Net current assets</b>		<b>356,410</b>	<b>369,714</b>
<b>Total assets less current liabilities</b>		<b>1,652,736</b>	<b>1,322,861</b>
<b>Non-current liabilities</b>			
Government grants	14	56,930	57,352
Lease liabilities		11,310	—
Bank borrowings	15	218,048	21,619
		<b>286,288</b>	<b>78,971</b>
<b>Net assets</b>		<b>1,366,448</b>	<b>1,243,890</b>
<b>Capital and reserves</b>			
Share capital	16	35	35
Share premium and reserves		1,362,817	1,240,394
Equity attributable to owners of the Company		<b>1,362,852</b>	<b>1,240,429</b>
Non-controlling interests		3,596	3,461
<b>Total equity</b>		<b>1,366,448</b>	<b>1,243,890</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Share option reserve RMB'000	Treasury shares RMB'000 (Note iii)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2017 (audited)	35	785,303	492	50,103	(3)	32,531	57,399	–	126,916	1,052,776	3,190	1,055,966
Impact of initial application of International Financial Reporting Standards ("IFRSs") 9	–	–	–	–	–	–	–	–	(3,930)	(3,930)	–	(3,930)
At 1 January 2018 (restated)	35	785,303	492	50,103	(3)	32,531	57,399	–	122,986	1,048,846	3,190	1,052,036
Profit for the period	–	–	–	–	–	–	–	–	67,329	67,329	134	67,463
Other comprehensive income for the period	–	–	817	–	–	–	–	–	–	817	–	817
Total comprehensive income for the period	–	–	817	–	–	–	–	–	67,329	68,146	134	68,280
Recognition of equity-settled share-based payments	–	–	–	–	–	–	19,398	–	–	19,398	–	19,398
Exercise of share options	–	13,582	–	–	–	–	(5,489)	–	–	8,093	–	8,093
At 30 June 2018 (unaudited)	35	798,885	1,309	50,103	(3)	32,531	71,308	–	190,315	1,144,483	3,324	1,147,807
At 1 January 2019	35	797,932	678	50,259	(3)	32,531	125,202	(10,117)	243,912	1,240,429	3,461	1,243,890
Profit for the period	–	–	–	–	–	–	–	–	92,378	92,378	135	92,513
Other comprehensive income for the period	–	–	139	–	–	–	–	–	–	139	–	139
Total comprehensive income for the period	–	–	139	–	–	–	–	–	92,378	92,517	135	92,652
Recognition of equity-settled share-based payments	–	–	–	–	–	–	39,780	–	–	39,780	–	39,780
Exercise of share options	–	1,286	–	–	–	–	(531)	–	–	755	–	755
Repurchase of ordinary Shares	–	(57)	–	–	–	–	–	(10,572)	–	(10,629)	–	(10,629)
Cancel of repurchased ordinary Shares	–	(11,383)	–	–	–	–	–	11,383	–	–	–	–
At 30 June 2019 (unaudited)	35	787,778	817	50,259	(3)	32,531	164,451	(9,306)	336,290	1,362,852	3,596	1,366,448

## Notes:

- (i) Statutory surplus reserve is non-distributable and the transfer to this reserve is determined according to the relevant laws in the PRC and by the board of directors of the PRC subsidiaries in accordance with the Article of Association of the subsidiaries. Statutory surplus reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.
- (ii) Contribution reserve represents the difference between the fair value of the consideration paid for the acquisition of Lifetech Shenzhen from Shareholders and the carrying amount of the share of net assets acquired in August 2006 and it is regarded as a deemed contribution from Shareholders under merger accounting.
- (iii) As at 30 June 2019, the Company repurchased a total of 16,124,000 Shares on the Stock Exchange of Hong Kong Limited of an aggregate consideration of approximately RMB20,689,000. On 23 January 2019, 8,710,000 Shares were cancelled, and the remaining 7,414,000 Shares were cancelled on 24 July 2019.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>113,412</b>	66,492
<b>INVESTING ACTIVITIES</b>		
Deposits paid for and purchase of property, plant and equipment	(18,122)	(36,270)
Expenditure incurred and capitalised as intangible assets	(20,312)	(17,047)
Government grants received for acquisition of plant and equipment	430	50
Proceeds on disposal of property, plant and equipment	—	142
Purchase of financial assets at FVTPL	—	(172,864)
Structured deposits placed	—	(150,000)
Release of structured deposits	—	60,000
Placement of pledged bank deposits	(30,000)	—
Placement of fixed bank deposits	(50,000)	—
Release of fixed bank deposits	5,000	—
Payment for purchase of land use rights	(13,100)	—
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(126,104)</b>	(315,989)
<b>FINANCING ACTIVITIES</b>		
Bank borrowings raised	286,809	—
Proceeds from issue of Shares upon exercise of share options	754	8,093
Principal paid on lease liabilities	(5,256)	—
Interest paid on lease liabilities	(237)	—
Purchase of ordinary Shares through trustee	(338,002)	—
Repurchase of ordinary Shares	(10,629)	—
<b>NET CASH (USED IN) FROM FINANCING ACTIVITIES</b>	<b>(66,561)</b>	8,093
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(79,253)</b>	(241,404)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>352,577</b>	451,930
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>139</b>	817
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,</b> representing bank balances and cash	<b>273,463</b>	211,343

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019



## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its Shares had been listed on the Growth Enterprise Market of the Stock Exchange until 5 November 2013 when its Shares were delisted from the Growth Enterprise Market of the Stock Exchange, and its Shares were listed on the Main Board of the Stock Exchange by way of transfer of listing on 6 November 2013. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and the address of the principal place of business is Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, Guangdong Province, the PRC.

The Company is an investment holding company. The principal activities of the Group are development, manufacturing and trading of advanced interventional medical devices for cardiovascular and peripheral vascular diseases and disorders.

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

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 of the Listing Rules.

## 3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2019 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

In addition, in the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to IFRSs issued by the IASB that are mandatorily effective for the current interim period. Except to the application of IFRS 16 Leases as stated in the following, the application of the above new interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### **3. PRINCIPAL ACCOUNTING POLICIES - CONTINUED**

#### **Effect of IFRS 16 Leases**

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

Before the adoption of IFRS 16, commitments under operating leases for future periods were not recognized by the Group as liabilities. Operating lease rental expenses were recognised in the consolidated income statement over the lease period on a straight-line basis.

IFRS 16 introduces an on-balance sheet lease accounting model for leases. IFRS 16 requires a lessee to recognise almost all leases on the statement of financial position which will reflect their “right-of-use” for a period of time and their associated liability for payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group has transitioned to IFRS 16 in accordance with the modified retrospective approach and, therefore, the information presented for 2018 has not been restated. After reviewing the leases, there is no change on the opening balance of retained earnings and equity at the date of initial application of IFRS 16. Depreciation on right-of-use assets and interest of lease liabilities are recognised in the profit or loss under IFRS 16.

### **4. SEGMENT INFORMATION**

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

The Group’s operating segments under IFRSs 8 are as follows:

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

#### 4. SEGMENT INFORMATION - CONTINUED

Information regarding the above segments is reported below.

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

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

For six months ended 30 June 2019

	Structural heart diseases business RMB'000 (Unaudited)	Peripheral vascular diseases business RMB'000 (Unaudited)	Cardiac pacing and electrophysiology business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>SEGMENT REVENUE</b>				
External sales – goods	123,440	183,204	1,865	308,509
Segment profit	107,219	150,898	(4,427)	253,690
Unallocated income				
– Other income and other gains				37,670
– Finance income				1,151
Unallocated expense				
– Selling and distribution expenses				(63,321)
– Administration expenses				(46,196)
– Research and development expenses				(57,632)
– Other expenses and losses				(10,353)
– Finance costs				(6,246)
Profit before tax				108,763

4. SEGMENT INFORMATION - CONTINUED

(a) Segment revenue and results - continued

For six months ended 30 June 2018

	Structural heart diseases business RMB'000 (Unaudited)	Peripheral vascular diseases business RMB'000 (Unaudited)	Cardiac pacing and electrophysiology business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>SEGMENT REVENUE</b>				
External sales – goods	82,930	163,949	–	246,879
Segment profit	70,734	133,491	–	204,225
Unallocated income				
– Other income and other gains				22,846
– Finance income				2,451
Unallocated expense				
– Selling and distribution expenses				(47,680)
– Administration expenses				(35,869)
– Research and development expenses				(40,923)
– Other expenses and losses				(9,065)
Profit before tax				95,985

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 makers, the executive Directors of the Company, for the purposes of resources allocation and assessment of segment performance.

#### 4. SEGMENT INFORMATION - CONTINUED

##### (b) Segment assets and liabilities

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

##### *Segment assets*

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	251,423	248,116
Peripheral vascular diseases business	466,529	436,565
Cardiac pacing and electrophysiology business	103,898	108,095
Total segment assets	821,850	792,776
Unallocated assets		
Property, plant and equipment	3,898	4,344
Investment properties	135,250	137,679
Deferred tax assets	39,857	30,681
Financial assets at FVTPL	168,922	169,865
Other receivables and prepayments	339,077	7,002
Right-of-use assets	66,351	—
Intangible assets	—	972
Deposits paid for property, plant and equipment	17	236
Fixed bank deposits	50,000	5,000
Pledged bank deposits	60,000	30,000
Bank balances and cash	273,463	352,577
Consolidated assets	1,958,685	1,531,132



4. SEGMENT INFORMATION - CONTINUED

(b) Segment assets and liabilities - continued

Segment liabilities

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	7,024	7,398
Peripheral vascular diseases business	14,583	12,927
Cardiac pacing and electrophysiology business	—	2,347
Total segment liabilities	21,607	22,672
Unallocated liabilities		
Other payables	111,127	141,694
Lease liabilities	53,418	—
Tax payables	36,621	39,798
Government grants	58,634	59,057
Bank borrowings	310,830	24,021
Consolidated liabilities	592,237	287,242

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

- All assets are allocated to operating segments other than bank balances and cash, financial assets at FVTPL, pledged bank deposits, fixed bank deposits, deferred tax assets, investment properties, certain right-of-use assets, certain intangible assets, certain other receivables and prepayments, certain property, plant and equipment, certain deposits paid for property, plant and equipment, and
- Only 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, lease liabilities, certain other payables and bank borrowings.

## 5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including Directors' remuneration		
Salaries, wages and other benefits	71,876	60,925
Retirement benefits scheme contributions	6,517	5,141
Less: capitalised in development costs	(9,550)	(10,788)
	<b>68,843</b>	<b>55,278</b>
Auditor's remuneration	931	1,148
Cost of inventories recognised as expenses	54,819	42,654
Depreciation of property, plant and equipment	13,698	6,582
Depreciation of right-of-use assets	5,889	—
Depreciation of investment properties	2,729	2,213
Amortisation charge of intangible assets	3,084	3,226
Release of prepaid lease payments	—	636
Operating lease rentals in respect of rental premises	1,811	5,904
Gross rental income from investment properties	(25,075)	(16,170)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	2,729	2,213
	<b>(22,346)</b>	<b>(13,957)</b>

## 6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	25,426	32,553
Deferred tax		
Current period	(9,176)	(4,031)
	<u>16,250</u>	<u>28,522</u>

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

Lifetech Scientific Trading Limited (先健科技貿易有限公司), a subsidiary of the Company, is subject to Hong Kong Profits Tax rate of 16.5% on assessable profits earned in Hong Kong.

Under the Law of the PRC 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 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 periods ended 30 June 2019 and 2018.

For other PRC subsidiaries, their applicable income tax rates are 25% for the periods ended 30 June 2019 and 2018 respectively.

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

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the interim periods ended 30 June 2019 and 2018. The Directors did not recommend the payment of an interim dividend.

## 8. 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:

	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
<b>Earnings:</b>		
Earnings for the purpose of basic and diluted earnings per share	92,378	67,329
<b>Number of shares:</b>		
Weighted average number of ordinary Shares for the purpose of basic earnings per share (in thousands)	4,336,500	4,332,367
Effect of dilutive potential ordinary Shares: share options (in thousands)	6,281	34,205
Weighted average number of ordinary Shares for the purpose of diluted earnings per share (in thousands)	4,342,781	4,366,572

## 9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2019, the Group spent approximately RMB12,407,000 (corresponding period of 2018: approximately RMB9,175,000) for the acquisition of equipment and improvement of plant to update its manufacturing capabilities. In addition, the Group also incurred approximately RMB12,831,000 (corresponding period of 2018: approximately RMB24,098,000) for decoration cost.

During the six months ended 30 June 2019, the Group incurred approximately RMB23,940,000 (corresponding period of 2018: approximately RMB19,481,000) of development expenditure for the development of structural heart diseases business, peripheral vascular diseases business and Cardiac pacing and electrophysiology business, and incurred approximately RMB989,000 (corresponding period of 2018: approximately RMB500,000) for purchase of intangible assets.

## 10. PREPAID LEASE PAYMENTS AND RIGHT-OF-USE ASSETS

	2019 RMB'000 (Unaudited)
As at 1 January:	
– Reclassification from prepaid lease payments (net carrying amount) (Note)	30,926
– Capitalisation of operating lease contracts	24,925
Additions	46,682
Depreciation charge for the period	(5,889)
<b>Net book value, as at 30 June</b>	<b>96,644</b>

Note: The Group has initially applied IFRS 16 using the modified retrospective approach and the comparative information is not restated.

The Group's right-of-use assets contain the land use rights and properties leased for own use.

On 26 June 2019, the Company acquired the use right of a land which located at Songshan Lake, Dongguan, Guangdong, PRC with a price of RMB43,610,000. For further details, please refer to the "Land Acquisition" section of the Management Discussion in this interim report and announcement of the Company dated 26 June 2019.

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Financial assets mandatorily measured at FVTPL:		
Unlisted participating shares	133,786	135,343
Unlisted fund	35,136	34,522
	<u>168,922</u>	<u>169,865</u>

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, 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.

## 11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - CONTINUED

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.

As at 30 June 2019 and 30 June 2018, 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.

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

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

## 12. TRADE RECEIVABLES

The Group normally allows a credit period of 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.

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
1 - 90 days	29,484	70,159
91 - 180 days	11,611	11,068
181 - 365 days	8,839	7,178
Over 365 days	4,001	2,700
	53,935	91,105

### 13. TRADE PAYABLES

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0 - 30 days	5,382	9,060
31 - 60 days	10,228	6,720
61 - 120 days	5,578	2,097
Over 120 days	423	787
	21,611	18,664

### 14. GOVERNMENT GRANTS

Government grants include subsidies in relation to the acquisition of plant and equipment and the research and development of medical devices. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. During the six months ended 30 June 2019, respectively approximately RMB4,477,000 and RMB430,000 subsidies were recognised related to research and development of medical devices and the acquisition of plant and equipment (corresponding period of 2018: approximately RMB1,806,000 and RMB50,000 subsidies related to research and development of medical devices and the acquisition of plant and equipment). The Group recognised income of approximately RMB5,329,000 (corresponding period of 2018: approximately RMB2,658,000) during the six months ended 30 June 2019. The current portion of government grants, which include subsidies in relation to research and development of medical devices that have not yet been recognised in profit or loss, are included in other payables. The non-current portion of government grants, which include subsidies in relation to the acquisition of plant and equipment that have not yet been recognised in profit or loss, are included in non-current liabilities.

**15. BANK BORROWINGS**

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Secured bank borrowings	310,830	24,021
The carrying amounts of the above borrowings are repayable*:		
Due within one year	92,782	2,402
Due after one year	218,048	21,619
Less: Amounts due within one year shown under current liabilities	(92,782)	(2,402)
Amounts shown under non-current liabilities	218,048	21,619

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

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	Hong Kong Dollars ("HKD") RMB'000	Total RMB'000
As at 30 June 2019	46,920	263,910	310,830

**16. SHARE CAPITAL**

	Number of Shares	Amount USD
<b>Ordinary Shares</b>		
Authorised:		
At 1 January 2018, 31 December 2018 and 30 June 2019 at USD0.00000125 each	40,000,000,000	50,000



**16. SHARE CAPITAL - CONTINUED**

	Number of Shares	Amount USD	Shown in the condensed consolidated financial statements as RMB'000
Issued and fully paid:			
At 1 January 2018 at USD0.00000125 each	4,329,478,800	5,412	35
Add: exercise of share options	6,812,400	8	—
At 31 December 2018 at USD0.00000125 each	4,336,291,200	5,420	35
Add: exercise of share options	602,000	1	—
Less: cancel of repurchased ordinary Shares	8,710,000	11	—
At 30 June 2019 at USD0.00000125 each	<u>4,328,183,200</u>	<u>5,410</u>	<u>35</u>

**17. SHARE-BASED PAYMENTS**

**(a) Share Option Scheme**

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

On 5 May 2015, an aggregate of 160,000,000 options was granted subject to certain vesting conditions pursuant to the Share Option Scheme to the Grantees. The total options are scheduled to be vested in five batches, respectively on 5 May 2016, 5 May 2017, 5 May 2018, 5 May 2019 and 5 May 2020, with 20% of total options in each batch. As at 30 June 2019, 95,258,800 of such options granted pursuant to the Share Option Scheme have been vested and 77,484,800 options remain exercisable.

On 10 May 2018, an aggregate of 201,280,000 options was granted subject to certain vesting conditions pursuant to the Share Option Scheme to the Grantees. The total options are scheduled to be vested in five batches, respectively on 10 May 2019, 10 May 2020, 10 May 2021, 10 May 2022 and 10 May 2023, with 20% of total options in each batch. As at 30 June 2019, 39,144,400 of such options granted pursuant to the Share Option Scheme have been vested and 39,144,400 remain exercisable.

On 29 August 2018, an aggregate of 5,400,000 options was granted subject to certain vesting conditions pursuant to the Share Option Scheme to the Grantees. The total options are scheduled to be vested in five batches, respectively on 29 August 2019, 29 August 2020, 29 August 2021, 29 August 2022 and 29 August 2023, with 20% of total options in each batch. As at 30 June 2019, no such option granted pursuant to the Share Option Scheme has been vested.

## 17. SHARE-BASED PAYMENTS - CONTINUED

### (a) Share Option Scheme - continued

The following table discloses movements in the Company's share options granted to the Grantees under the Share Option Scheme during the six months ended 30 June 2019:

Types	Number of Shares subject to share options				
	Outstanding at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2019
Share options granted on 5 May 2015:					
Batch I	17,945,200	—	—	(132,400)	17,812,800
Batch II	19,170,800	—	(284,000)	(132,400)	18,754,400
Batch III	20,419,200	—	(318,000)	(132,400)	19,968,800
Batch IV	21,134,400	—	—	(185,600)	20,948,800
Batch V	21,134,400	—	—	(450,400)	20,684,000
Sub-total	99,804,000	—	(602,000)	(1,033,200)	98,168,800
Share options granted on 10 May 2018:					
Batch I	39,936,000	—	—	(791,600)	39,144,400
Batch II	39,936,000	—	—	(902,800)	39,033,200
Batch III	39,936,000	—	—	(902,800)	39,033,200
Batch IV	39,936,000	—	—	(902,800)	39,033,200
Batch V	39,936,000	—	—	(902,800)	39,033,200
Sub-total	199,680,000	—	—	(4,402,800)	195,277,200
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
Sub-total	5,400,000	—	—	—	5,400,000
Total	304,884,000	—	(602,000)	(5,436,000)	298,846,000
Exercisable as at 30 June 2019					116,629,200
Weighted average exercise price					HK\$2.237

17. SHARE-BASED PAYMENTS - CONTINUED

(a) Share Option Scheme - continued

The following table discloses movements in the Company's share options granted to the Grantees under the Share Option Scheme during the six months ended 30 June 2018:

Types	Number of Shares subject to share options				
	Outstanding at 1 January 2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 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)	(980,000)	20,420,800
Batch IV	22,432,400	—	—	(1,165,600)	21,266,800
Batch V	22,432,400	—	—	(1,165,600)	21,266,800
Sub-total	110,194,800	—	(6,812,400)	(3,312,000)	100,070,400
Share options granted on 10 May 2018:					
Batch I	—	40,256,000	—	—	40,256,000
Batch II	—	40,256,000	—	—	40,256,000
Batch III	—	40,256,000	—	—	40,256,000
Batch IV	—	40,256,000	—	—	40,256,000
Batch V	—	40,256,000	—	—	40,256,000
Sub-total	—	201,280,000	—	—	201,280,000
Total	110,194,800	201,280,000	(6,812,400)	(3,312,000)	301,350,400
Exercisable as at 30 June 2018					57,536,800
Weighted average exercise price					HK\$2.243

In respect of the share options exercised during the six months ended 30 June 2019, the weighted average share price at the dates of exercise is HK\$1.636 (corresponding period of 2018: HK\$2.527).

## 17. SHARE-BASED PAYMENTS - CONTINUED

### (a) Share Option Scheme - continued

In respect of the share options granted on 5 May 2015, 10 May 2018 and 29 August 2018, the fair values were calculated according to 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 % (Note i)	Dividend yield %	Expected volatility % (Note ii)
Share options granted on 5 May 2015							
Batch I	32,000,000	7.75	1.410	1.464	1.51	—	55.33
Batch II	32,000,000	8.00	1.410	1.464	1.52	—	55.12
Batch III	32,000,000	8.25	1.410	1.464	1.53	—	54.62
Batch IV	32,000,000	8.50	1.410	1.464	1.55	—	54.18
Batch V	32,000,000	8.75	1.410	1.464	1.56	—	54.19
Share options granted on 10 May 2018							
Batch I	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch II	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch III	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch IV	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch V	40,256,000	10	2.630	2.630	2.162	—	49.77
Share options granted on 29 August 2018							
Batch I	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch II	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch III	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch IV	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch V	1,080,000	10	2.020	2.060	2.158	—	47.44

Notes:

- (i) Risk-free interest rate represents the yields of HKD Hong Kong Sovereign Curve with respective tenors as the valuation date. Linear Interpolation is adopted when necessary.
- (ii) Volatility is average of the annualized standard deviation of daily return of stock price of selected stocks in the same industry with the tenor equal to the option life with reference to Bloomberg. Changes in the subjective input assumptions could materially affect the fair value estimate.

## 17. SHARE-BASED PAYMENTS - CONTINUED

### (a) Share Option Scheme - continued

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. Other than exercise price, significant judgement on parameters, such as risk-free rate, expected volatility and dividend yield, are required to be made by the Directors in applying the Binomial Model.

For the six months ended 30 June 2019, the Group recognised approximately RMB33,680,000 (corresponding period of 2018: approximately RMB15,535,000) share-based payment expenses in profit or loss. In addition, approximately RMB6,100,000 (corresponding period of 2018: approximately RMB4,045,000) was capitalised in development costs and inventories.

### (b) Share Award Scheme

The Company has adopted the Share Award Scheme on 28 December 2018, which was subsequently amended by unanimous written resolution of the Board on 29 April 2019. 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 the Group in order to attain a long-term relationship between the Group and certain eligible participants. As at 30 June 2019, no share award has been granted to any eligible participant.

Pursuant to the Share Award Scheme, the Trustee purchased a total of 8,084,000 shares of the Company at cash consideration of HKD11,274,880 on the Stock Exchange during the six months ended 30 June 2019.

## 18. OPERATING LEASES

### The Group as lessee

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within one year	901	10,542
In the second to fifth years inclusive	—	15,669
Over five years	—	291
	<b>901</b>	<b>26,502</b>

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

### The Group as lessor

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

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Within one year	46,897	39,863
In the second to fifth years inclusive	133,571	99,915
Over five years	43,114	—
	<b>223,582</b>	<b>139,778</b>

## 19. CAPITAL COMMITMENTS

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the condensed consolidated financial statements	59,865	12,093

## 20. RELATED PARTY DISCLOSURES

### (a) Transactions

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

Nature of transactions	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Pacemaker project consulting fee paid and payable to Medtronic	—	1,407
Royalty fee paid and payable to Medtronic	—	4,264
Purchase of goods from Medtronic	—	2
	<u>—</u>	<u>5,673</u>

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.

### (b) Compensation of key management personnel

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

Nature of transactions	Six months ended 30 June	
	2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Short-term employee benefits	3,953	4,937
Post-employment benefits	121	182
	<u>4,074</u>	<u>5,119</u>

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