



LifeTech Scientific Corporation 先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302



2020

INTERIM REPORT

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EXECUTIVE DIRECTORS

XIE Yuehui

(Chairman and Chief Executive Officer)

LIU Jianxiong

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

NON-EXECUTIVE DIRECTORS

JIANG Feng

FU Feng

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

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WEBSITE

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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

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Shenzhen, PRC

HONG KONG LEGAL ADVISER

Tiang & Partners

Room 2010, 20/F, Edinburgh Tower

The Landmark

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AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
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REGISTERED OFFICE IN CAYMAN ISLANDS

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Grand Cayman, KY1-1104, Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS

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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

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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



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 2020 (the “Reporting Period”) together with the comparative figures for the corresponding period of 2019.

	Six months ended 30 June		
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)	Change
Revenue	272,950	308,509	(11.5%)
Gross profit	217,061	253,690	(14.4%)
Operating profit	119,757	113,858	5.2%
Profit for the period	96,181	92,513	4.0%
Profit for the period attributable to owners of the Company	98,950	92,378	7.1%
Earnings per share			
– Basic	RMB2.3 cents	RMB2.1 cents	9.5%
– Diluted	RMB2.3 cents	RMB2.1 cents	9.5%



BUSINESS OVERVIEW

The Group is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular, peripheral vascular diseases and disorders. The Group is dedicated to researching, developing, manufacturing and marketing advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders, with a global reach and has subsidiaries in China, the Netherlands, India, Russia, Greece, Germany, the United States and the British Virgin Islands. As a leading medical device company with 20 years of history in China, the Company has built up a strong sales network spreading all over the world and have distributors in numerous countries across Asia, Africa, North America, South America and Europe.

We currently 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.

FIRST-HALF PERFORMANCE

Since the outbreak of the COVID-19 epidemic, the diagnosis and treatment services of some non-emergency departments in hospitals have been suspended in order to effectively control the spread of the epidemic, prevent nosocomial infection and ensure the safety of patients and medical staff. As a result, certain non-emergency surgeries were postponed and treatment demand was suppressed, and the sales of various product lines of the Group in different regions have suffered varying degree of impact. The Group took active measures to minimize the impact on its operating conditions and financial performance in the face of the COVID-19 epidemic. With continuous progress of prevention and control work of the COVID-19 epidemic as well as the accelerated restoration of production and living order, the Group's sales in Mainland China gradually return to normal. The Group believes that the impact of COVID-19 epidemic on its operating conditions and financial performance is temporary. In the medium and long run, the global medical device market will continue to grow steadily with the growth of the aging population, urbanization and improvement of residents' health awareness.

During the six months ended 30 June 2020, the Group achieved a revenue of approximately RMB273.0 million with a decrease of approximately RMB35.5 million or approximately 11.5% as compared with the revenue of approximately RMB308.5 million for the six months ended 30 June 2019. The sales generated from the Chinese market accounted for approximately 81.3% of our total revenue for the six months ended 30 June 2020 (corresponding period of 2019: approximately 75.9%). The domestic sales of the Group decreased by approximately 5.3% while overseas sales decreased by approximately 31.2% as compared with the corresponding period of 2019.

Net profit attributable to owners of the Company for the six months ended 30 June 2020 was approximately RMB99.0 million, with an increase of approximately RMB6.6 million or approximately 7.1% as compared with a net profit of approximately RMB92.4 million for the six months ended 30 June 2019.



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 of procedures 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 ("R&D")

Independently developed innovative domestic medical device products will maintain the competitive strength of the Company, and also provide more effective treatment to patients around the world. In the first half of 2020, 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 2020, we made the following achievements in R&D field:

- Lifetech Cardio Temporary Pacemaker obtained the CE certification in Europe, and the clinical trial enrollment was also completed in China;
- Fustar™ mini Steerable catheter obtained the registration certificate from the National Medical Products Administration ("NMPA");
- Futhrough™ Endovascular Needle System obtained the CE certification in Europe and was approved as an innovative medical device in China. At present, ten products of the Company have been approved as innovative medical devices by the NMPA; and
- IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold ("IBS") was successfully implanted in human body in March 2018 for the first time in the world. The six-month follow-up results showed that the IBS had begun to degrade and the blood vessel lumina of the patients were open. And the two-year follow-up results showed good vessel lumen of the patients with most of the scaffold struts had been degraded. The follow-up results initially proved the safety and effectiveness of IBS, and more data in relation to the safety and effectiveness of IBS are still being collected.

INTELLECTUAL PROPERTY RIGHTS

Intellectual property is an important intangible asset of the Group and an internal driving force to improve our core competitiveness in the medical device market. During the six months ended 30 June 2020, the Group has filed 66 patent applications while 56 patents were registered. As at 30 June 2020, the Group has filed a total of 1141 patent applications, of which 342 patents were registered.

PROJECT INVESTMENTS

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 and Quantum Surgical SAS, 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 company in Guangdong, China 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 company 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. As at the date of this interim report, the surgical robot is in the process of type testing, and the first clinical enrollment is expected to be delayed due to the impact of the COVID-19 epidemic.

In June 2019, the Company and Sorrento Therapeutics Inc. (NASDAQ: SRNE) (the “Sorrento Therapeutics”) jointly established a company, 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 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. 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 R&D on the application of industrial hemp, cannabidiol and cannabinoid in the treatment of neurological diseases such as autism and depression. For further details, please refer to announcement of the Company dated 4 June 2019. The Company will carefully consider the expansion of industrial hemp business and follow-up arrangements in accordance with industry policies and market development trends.



FINANCIAL REVIEW

OVERVIEW

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

Affected by the COVID-19 epidemic, the revenue of the Group was approximately RMB273.0 million for the six months ended 30 June 2020, with a decrease of approximately RMB35.5 million or approximately 11.5% as compared with the revenue of approximately RMB308.5 million for the six months ended 30 June 2019. The decrease was mainly due to the decrease of revenue from HeartR occluders, Cera occluders 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 2020 was approximately RMB79.3 million (corresponding period of 2019: approximately RMB123.4 million), representing a decrease of approximately 35.7% as compared with the corresponding period of 2019.

With the diversification of product portfolio, our products cover a wide spectrum of the structural heart diseases business, which mainly include LAA occluder and three generations of congenital heart occluders named HeartR, Cera and CeraFlex. As compared with the corresponding period of 2019, the revenue generated from the sales of HeartR occluders decreased by approximately 40.5%, Cera occluders decreased by approximately 40.0% and CeraFlex occluders decreased by approximately 36.4% for the six months ended 30 June 2020.

The revenue generated from the sales of LAMBRE™ LAA occluder was approximately RMB19.2 million for the six months ended 30 June 2020 (corresponding period of 2019: approximately RMB25.9 million), representing a decrease of approximately 25.9% as compared with the corresponding period of 2019.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the six months ended 30 June 2020 was approximately RMB191.2 million (corresponding period of 2019: approximately RMB183.2 million), representing an increase of approximately 4.4% as compared with the corresponding period of 2019.

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 2019, the revenue generated from the sales of stent grafts increased by approximately 11.2% and vena cava filter decreased by approximately 8.7% for the six months ended 30 June 2020.



Revenue from cardiac pacing and electrophysiology business

The turnover contributed by the cardiac pacing and electrophysiology business for the six months ended 30 June 2020 was approximately RMB2.5 million (corresponding period of 2019: approximately RMB1.9 million), representing a growth of approximately 31.6% as compared with the corresponding period of 2019.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit of the Group decreased by approximately 14.4% from approximately RMB253.7 million for the six months ended 30 June 2019 to approximately RMB217.1 million for the six months ended 30 June 2020.

Gross profit margin decreased by approximately 2.7% from approximately 82.2% for the six months ended 30 June 2019 to approximately 79.5% for the six months ended 30 June 2020. The decrease was mainly due to (i) the decline in product sales leading to excess production capacity, while fixed costs such as labor cost and depreciation of property, plant and equipment remained unchanged under the impact of COVID-19 epidemic, which resulted in the increase of production costs; (ii) as the sales did not achieve our expectation, some inventories expired or nearly expired consequently, and the provision for inventory write-down generated therefrom also brought about higher costs; and (iii) under the impact of COVID-19 epidemic, the sales of high-margin products for non-emergency surgeries had decreased.

OTHER INCOME, EXPENSES, GAINS AND LOSSES

Other income, expenses, gains and losses increased from approximately RMB27.3 million for the six months ended 30 June 2019 to approximately RMB39.9 million for the six months ended 30 June 2020, which was mainly attributable to (i) an increase in government grants; and (ii) an increase in investment income from financial assets at fair value through profit or loss ("FVTPL").

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses decreased by approximately 20.4% from approximately RMB63.3 million for the six months ended 30 June 2019 to approximately RMB50.4 million for the six months ended 30 June 2020. The decrease was mainly due to (i) a decrease in marketing expenses and travel expenses, resulting from the reduction of on-site exhibitions under the impact of COVID-19 epidemic; and (ii) a decrease in staff costs, resulting from the decrease in the share-based payment expenses under the share option scheme.

ADMINISTRATION EXPENSES

Administration expenses decreased by approximately 19.3% from approximately RMB46.2 million for the six months ended 30 June 2019 to approximately RMB37.3 million for the six months ended 30 June 2020. The decrease was mainly due to a reduction in staff costs, which was resulting from the decrease in the share-based payment expenses under the share option scheme.



RESEARCH AND DEVELOPMENT EXPENSES

R&D expenses decreased by approximately 13.9% from approximately RMB57.6 million for the six months ended 30 June 2019 to approximately RMB49.6 million for the six months ended 30 June 2020. In addition, during the current period, approximately RMB23.6 million (corresponding period of 2019: approximately RMB23.9 million) was capitalised in development expenditure. Considering such capitalised expenditure, R&D cost decreased by approximately 10.2% from approximately RMB81.5 million for the six months ended 30 June 2019 to approximately RMB73.2 million for the six months ended 30 June 2020. The decrease was mainly due to a reduction in staff costs, which was resulting from the decrease in the share-based payment expenses under the share option scheme.

OPERATING PROFIT

During the six months ended 30 June 2020, we recorded an operating profit of approximately RMB119.8 million, which represented an increase of approximately 5.2% as compared with the operating profit of approximately RMB113.9 million for the six months ended 30 June 2019. Such increase was primarily due to (i) a decrease in the share-based payment expenses under the share option scheme; and (ii) an increase of other income and other gains resulting from government grants and investment income.

THE GROUP'S SHARE IN ASSOCIATES

The Group's 12.5% equity interest in Shenzhen High-Performance Medical Device National Research Institute Co., Ltd. (深圳高性能醫療器械國家研究院有限公司) ("Joint Laboratory") and 49% equity interest in Shenzhen Shangpin Yunma Technology Co., Ltd. (深圳市尚品雲麻科技有限公司) ("Shangpin Yunma") had been accounted as interest in associates. The Group's share of losses were approximately RMB0.5 million for the six months ended 30 June 2020 (corresponding period in 2019: nil).

FAIR VALUE AND NET EXCHANGE GAINS ON FINANCIAL ASSETS

On 10 May 2018, the Group invested USD20.0 million (equivalent to approximately RMB127.3 million) to subscribe for an equity interest of approximately 27% in ABG-Grail Limited in order to indirectly acquire a minority equity interest in Grail, Inc. ("GRAIL"), a healthcare company with a focus on early detection 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 market position as a comprehensive healthcare provider. The multi-cancer early detection technology of GRAIL can detect more than 50 types of cancer, with a very low false positive rate of less than one percent, through a single blood draw. GRAIL is currently in an expansion phase. Although there are inherent risks associated with the development and commercialisation of new products, the Company still believes the investment will broaden the Group's involvement in innovative healthcare providers and relative industries. The Company also believes in the great market potential in technologies for the screening, treatment and rehabilitation industries in relation to cancer.

On 25 May 2018, the Group also invested USD6.0 million (equivalent to approximately RMB38.2 million) to subscribe for the partnership interest of approximately 10% in Ally Bridge Group Innovation Capital Partners III, L.P., a private equity fund established in Cayman Island (the "Fund"). The Fund principally invests in securities or assets of companies that are involved in the healthcare industry, particularly focuses on cross-border innovative late-stage venture opportunities and cross-over investments. During the six months ended 30 June 2020, the Fund distributed approximately USD1.4 million (equivalent to approximately RMB10.0 million) investment income to the Group.

On 22 October 2019, the Group exercised its conversion rights and converted the debts, which amounted to an aggregate of approximately USD106,000 (equivalent to approximately RMB747,000), into common stocks of Pulsar Therapeutics, Inc. (“Pulsar”). Upon the conversion, the Group owns approximately 2% equity interest of the outstanding shares of capital stock of Pulsar. Pulsar is an American corporation located in Delaware, which focuses on developing non-viral supramolecular nanoparticle vehicles for efficient delivery of multiple therapeutic modalities in patients.

All of the investments above are classified as financial assets at FVTPL and do not constitute notifiable transactions of the Company. Additional information in relation to these investments have been set out in note 13 to the condensed consolidated financial statements in this interim report.

The unrealised foreign exchange gain in financial assets at FVTPL was approximately RMB2.7 million for the six months ended 30 June 2020 (corresponding period in 2019: approximately RMB0.3 million), and the losses from changes in fair value of financial assets at FVTPL was approximately RMB1.8 million (corresponding period in 2019: approximately RMB1.2 million).

The fair value of financial assets with respect to the investment in ABG-Grail Limited and the Fund was determined with reference to valuation report carried out by an independent qualified professional valuer. The fair value of financial asset in respect of the investment in Pulsar was calculated based on the net assets of Pulsar multiplied by the share of equity interests held by the Group.

FINANCE INCOME AND FINANCE COSTS

Finance income decreased by approximately 16.7% from approximately RMB1.2 million for the six months ended 30 June 2019 to approximately RMB1.0 million for the six months ended 30 June 2020.

Finance costs increased by approximately 39.7% from approximately RMB6.3 million for the six months ended 30 June 2019 to approximately RMB8.8 million for the six months ended 30 June 2020.

INCOME TAX

Income tax decreased from approximately RMB16.3 million for the six months ended 30 June 2019 to approximately RMB15.3 million for the six months ended 30 June 2020.

NET PROFIT

Net profit attributable to owners of the Company for the six months ended 30 June 2020 was approximately RMB99.0 million, representing an increase of approximately 7.1% as compared with a net profit of approximately RMB92.4 million for the six months ended 30 June 2019. The increase was mainly attributable to (i) the decrease in the share-based payment expenses under the share option scheme; and (ii) the increase of other income and gains resulting from government grants and investment income.



LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2020, the Group mainly financed its operations with its own working capital, bank borrowings and equity funding.

The Group recorded total current assets of approximately RMB628.6 million as at 30 June 2020 (31 December 2019: approximately RMB605.8 million) and total current liabilities of approximately RMB474.9 million as at 30 June 2020 (31 December 2019: approximately RMB341.2million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 1.32 as at 30 June 2020 (31 December 2019: approximately 1.78).

BORROWINGS

As at 30 June 2020, bank borrowings were approximately RMB379.0 million, with an increase of approximately RMB48.7 million as compared to approximately RMB330.3 million as at 31 December 2019. Among them, the secured bank borrowings were approximately RMB283.4 million (31 December 2019: approximately RMB330.3 million) and the unsecured bank borrowings were approximately RMB95.6 million (31 December 2019: nil). For further details, please refer to Note 17 to the condensed consolidated financial statements in this interim report.

The interest incurred therefrom was approximately RMB8.8 million for the six months ended 30 June 2020 (corresponding period in 2019: approximately RMB2.4 million).

GEARING RATIO

As at 30 June 2020, the gearing ratio (calculated as a ratio of bank borrowings to total equity) of the Group was approximately 29.9% (31 December 2019: approximately 28.4%).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB1,262.8 million as at 30 June 2020 as compared with approximately RMB1,152.0 million as at 31 December 2019.

LAND ACQUISITION AND INDUSTRIAL PARK CONSTRUCTION

On 26 June 2019, Dongguan LifeTech Medical Co., Ltd (東莞市先健醫療有限公司) ("Dongguan LifeTech Medical"), 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 approximately 43,604 square metres located at the southeast of the intersection of South 1 Road and South 8 Road in eastern Songshan Lake, Dongguan, Guangdong, the PRC. The land use right was acquired at a total consideration of approximately RMB43.6 million. The deed tax arising from the land acquisition amounts to approximately RMB1.3 million. For further details, please refer to the announcement of the Company dated 26 June 2019.



On 24 April 2020, Dongguan LifeTech Medical entered into a construction contract with China Construction Second Engineering Bureau Limited* (中國建築第二工程局有限公司) (the “Contractor”), pursuant to which the Contractor is responsible for constructing the industrial park located in Dongguan, Guangdong, the PRC, which consists of seven buildings including underground car parks, comprising plant, offices, canteen and dormitories to cater for our day-to-day business and operational needs of the Group in Dongguan and nearby regions. The contract price is up to a maximum aggregate amount of RMB620.0 million, which is subject to downward adjustments arising from changes in the construction works or fluctuations in labour and building materials costs during the construction process. For further details, please refer to the announcement of the Company dated 24 April 2020, circular of the Company dated 8 June 2020 and the announcement of the Company dated 30 June 2020.

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 2020.

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 2020, 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 2020.

FINANCIAL INSTRUMENT

During the six months ended 30 June 2020, the Group did not have or use any financial instruments for hedging purpose.

CAPITAL EXPENDITURE

For the six months ended 30 June 2020, the capital expenditure of the Group for property, plant and equipment (the “PPE”), construction in progress, intangible assets, right-of-use assets and deposits for PPE amounted to approximately RMB60.9 million (corresponding period of 2019: approximately RMB51.1 million).



FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2020, the Group's operations were primarily based in the PRC and Europe. The revenue derived from Europe accounted for approximately 10.9% (corresponding period of 2019: approximately 9.9%) of the total revenue of the Group. There were currency fluctuations among Euro, US Dollars, Indian Rupees, HK Dollars and Canadian 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 foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGES ON GROUP ASSETS

As at 30 June 2020, the Group had pledged its unlisted participating shares in ABG-Grail Limited with the fair value of approximately RMB147.4 million (31 December 2019: approximately RMB146.9 million) and its bank deposit of RMB138.0 million (31 December 2019: RMB90.0 million) for the purpose of securing the bank borrowings.

Save as disclosed above, as at 30 June 2020, the Group did not have other charges on its assets.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 778 (as at 31 December 2019: 786) full time employees and two executive Directors (as at 31 December 2019: two). Total staff costs, including Directors' emoluments, amounted to approximately RMB73.3 million for six months ended 30 June 2020 (corresponding period of 2019: approximately RMB68.8 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. The amount of contributions to retirement benefits scheme for the six months ended 30 June 2020 was approximately RMB2.1 million (corresponding period of 2019: approximately RMB6.5 million). Forfeited contributions (made by employers on behalf of employees who leave the scheme prior to full vesting 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 working 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 medical insurance, annual physical examination, share options, etc. We have a fair and effective performance appraisal system and schemes designed to motivate and reward employees at all levels for their performance and achievements. A share option scheme was 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 also adopted share award scheme on 28 December 2018, which was subsequently amended by unanimous written resolutions of the Board on 29 April 2019 (the "Share Award Scheme").

Employees are the key to the success of enterprises, the Group is committed to providing all employees with a safe and harassment-free working environment, opportunities of equal employment, training and career development. In 2019, the Group established a labor union to safeguard the legitimate rights of employees and further promote the sustainable, stable and healthy development of the Group. Since the outbreak of the COVID-19 epidemic, the Company has established a prevention and control leading group immediately to mobilize resources and coordinate arrangements by making sufficient preparation for epidemic prevention and control, so as to fully protect the health and safety of employees.

FUTURE PROSPECTS

In the second half of 2020, as the COVID-19 epidemic continues to spread globally, the structural heart diseases business and overseas sales will still face challenges, and the clinical progress of some R&D projects may be delayed to a certain extent. However, the Group will take active measures to reduce the impact of adverse factors caused by the COVID-19 epidemic by further expanding its distribution network, continuously developing new products, and promoting resource integration, so as to further consolidate and strengthen our leading position in the interventional medical device industry.

The Group believes that our strong ability to develop new proprietary products is the core element of success. We will continuously devote ourselves into the improvement of technology, product quality and certain production process automation. We will strive to enhance the innovation capability and standard, continue to optimize our the production and sales model and increase the market share of our major products, while maintaining the strong competitiveness of the existing products. We also believe that the strategic investment relationship with Ally Bridge Group and Quantum Surgical SAS will create a win-win cooperation and facilitate the Group to step into new markets.

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 2020, 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, namely Mr. XIE Yuehui, and Mr. LIU Jianxiong; two non-executive Directors, namely Mr. JIANG Feng and Mr. FU Feng; and three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, namely 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 2020.

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 2020.

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 2020 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 2020, 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 executives	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	801,514,928 ¹	18.53%
Mr. LIU Jianxiong	Beneficial owner	24,940,000 ²	0.58%

Notes:

- These interests represented:
 - 781,914,928 Shares held by Xianjian Advanced Technology Limited, which is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director; and
 - 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.
- These interests represented:
 - 8,140,000 Shares held by Mr. LIU Jianxiong, our Executive Vice President, executive Director, Chief Financial Officer and company secretary; and
 - 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.



Save as disclosed above, as at 30 June 2020, 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 2020, 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 Shares of the Company

Name of Shareholders	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
Xianjian Advanced Technology Limited ¹	Beneficial owner	781,914,928	18.07%
China Everbright Limited ²	Interest of controlled corporation	622,000,000	14.38%
Everbright Investment & Management Limited ²	Interest of controlled corporation	622,000,000	14.38%
China Everbright Holdings Company Limited ²	Interest of controlled corporation	622,000,000	14.38%
Honorich Holdings Limited ²	Interest of controlled corporation	622,000,000	14.38%
Datten Investments Limited ²	Interest of controlled corporation	622,000,000	14.38%
China Everbright Group Ltd.* (中國光大集團股份公司) ²	Interest of controlled corporation	622,000,000	14.38%
Central Huijin Investment Ltd. ²	Interest of controlled corporation	622,000,000	14.38%
Synergy Summit Limited ²	Beneficial owner	300,000,000	6.93%
Shanghai YiZhen Investments LLP* (上海翊診投資中心(有限合夥)) ²	Interest of controlled corporation	300,000,000	6.93%
Shanghai Everbright Huiyi Equity Investment Fund Management LLP* (上海光控惠醫股權投資基金管理合夥企業 (有限合夥)) ²	Interest of controlled corporation	300,000,000	6.93%
Shanghai Ruiyin Huiyi Investments LLP* (上海睿因惠醫投資中心(有限合夥)) ²	Interest of controlled corporation	300,000,000	6.93%

Name of Shareholders	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
Beijing Everbright Anya Investments LLP* (北京光控安雅投資中心(有限合夥)) ²	Interest of controlled corporation	300,000,000	6.93%
Shanghai Everbright Jiaxin Equity Investment Management Limited * (上海光控嘉鑫股權投資管理有限公司) ²	Interest of controlled corporation	300,000,000	6.93%
Shouyu Everbright Assets Management Limited* (首譽光控資產管理有限公司) ²	Interest of controlled corporation	300,000,000	6.93%
Chongqing Everbright Equity Investment Management Limited* (重慶光控股權投資管理有限公司) ²	Interest of controlled corporation	300,000,000	6.93%
Yixing Everbright Investments Limited* (宜興光控投資有限公司) ²	Interest of controlled corporation	300,000,000	6.93%
Chengdu Everbright Medical Health Venture Capital Management Limited* (成都光控醫療健康創業投資管理有限公司) ²	Interest of controlled corporation	300,000,000	6.93%
CEL Venture Capital (Shenzhen) Co., Ltd.* (光大控股創業投資(深圳)有限公司) ²	Interest of controlled corporation	300,000,000	6.93%
China Everbright Financial Investments Limited ²	Beneficial owner	322,000,000	7.45%
Emporium (HK) Limited ²	Interest of controlled corporation	322,000,000	7.45%
Bank of Communications Trustee Limited	Beneficial owner	303,030,000	7.00%
Wellington Investment Advisors Holdings LLP ³	Interest of controlled corporation	265,377,645	6.13%
Wellington Group Holdings LLP ³	Interest of controlled corporation	265,377,645	6.13%
Wellington Management Group LLP ³	Interest of controlled corporation	265,377,645	6.13%



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 6.93% and 7.45% by Synergy Summit Limited and China Everbright Financial Investments Limited, respectively. The entire issued share capital of Synergy Summit Limited is wholly controlled by Shanghai YiZhen Investments LLP* (上海翊診投資中心(有限合夥)). 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. Shanghai YiZhen Investments LLP* (上海翊診投資中心(有限合夥)) is controlled as to 0.07% and 99.93% respectively by Shanghai Everbright Huiyi Equity Investment Fund Management LLP* (上海光控惠醫股權投資基金管理合夥企業(有限合夥)) and Shanghai Ruiyin Huiyi Investments LLP* (上海睿因惠醫投資中心(有限合夥)), which Shanghai Ruiyin Huiyi Investments LLP* (上海睿因惠醫投資中心(有限合夥)) is held as to 0.62% and 74.53% respectively by Shanghai Everbright Huiyi Equity Investment Fund Management LLP* (上海光控惠醫股權投資基金管理合夥企業(有限合夥)) and Beijing Everbright Anya Investments LLP* (北京光控安雅投資中心(有限合夥)) and Shanghai Everbright Huiyi Equity Investment Fund Management LLP* (上海光控惠醫股權投資基金管理合夥企業(有限合夥)) is held as to 5% and 95% respectively by Chengdu Everbright Medical Health Venture Capital Management Limited* (成都光控醫療健康創業投資管理有限公司) and Yixing Everbright Investments Limited* (宜興光控投資有限公司). Chengdu Everbright Medical Health Venture Capital Management Limited* (成都光控醫療健康創業投資管理有限公司) is wholly owned by Yixing Everbright Investments Limited* (宜興光控投資有限公司). Beijing Everbright Anya Investments LLP* (北京光控安雅投資中心(有限合夥)) is held as to 0.02% and 99.98% by Shanghai Everbright Jiaxin Equity Investment Management Limited* (上海光控嘉鑫股權投資管理有限公司) and Shouyu Everbright Assets Management Limited* (首譽光控資產管理有限公司), which Shanghai Everbright Jiaxin Equity Investment Management Limited* (上海光控嘉鑫股權投資管理有限公司) in turn is wholly owned by Chongqing Everbright Equity Investment Management Limited* (重慶光控股權投資管理有限公司) and Shouyu Everbright Assets Management Limited* (首譽光控資產管理有限公司), is held as to 49% by Chongqing Everbright Equity Investment Management Limited* (重慶光控股權投資管理有限公司). The issued share capital of Chongqing Everbright Equity Investment Management Limited* (重慶光控股權投資管理有限公司) is wholly controlled by Yixing Everbright Investments Limited* (宜興光控投資有限公司), which in turn is wholly owned by CEL Venture Capital (Shenzhen) Co., Ltd.* (光大控股創業投資(深圳)有限公司). CEL Venture Capital (Shenzhen) Co., Ltd.* (光大控股創業投資(深圳)有限公司) 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.* (中國光大集團股份公司). China Everbright Group Ltd.* (中國光大集團股份公司) is controlled as to 55.67% by Central Huijin Investment Ltd..
3. The issued share capital of the Company is held as to 3.53% and 2.60% 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 2020, 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 2020, an aggregate of 366,680,000 options, was granted subject to certain vesting conditions pursuant to the Share Option Scheme to certain eligible participants (the "Grantees"), in which 206,680,000 options was cancelled on 31 December 2019. For further details, please refer to the announcement of the Company dated 31 December 2019. As at 30 June 2020, 19,600,000 options and 16,800,000 options have been held by two executive Directors, namely Mr. XIE Yuehui and Mr. LIU Jianxiong respectively. As at 30 June 2020, 154,578,000 options granted pursuant to the Share Option Scheme were vested and 86,952,400 options remain outstanding and 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 2020 to 30 June 2020:

Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Number of Shares			
						Outstanding as at 1 January 2020	Exercised during the six months ended 30 June 2020	Cancelled/Lapsed during the six months ended 30 June 2020	Outstanding as at 30 June 2020
Directors/Chief Executives									
Mr. XIE Yuehui	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HKD1.464	19,600,000	19,600,000	—	—	19,600,000
Sub-total					19,600,000	19,600,000	—	—	19,600,000
Mr. LIU Jianxiong	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HKD1.464	16,800,000	16,800,000	—	—	16,800,000
Sub-total					16,800,000	16,800,000	—	—	16,800,000



Name	Date of grant	Vesting schedule	Option period	Exercise price	Number of Shares				
					Granted on the date of grant	Outstanding as at 1 January 2020	Exercised during the six months ended 30 June 2020	Cancelled/Lapsed during the six months ended 30 June 2020	Outstanding as at 30 June 2020
Other Grantees									
Employees	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HKD1.464	123,600,000	56,815,200	(6,074,000)	(188,800)	50,552,400
Sub-total					123,600,000	56,815,200	(6,074,000)	(188,800)	50,552,400
Total					160,000,000	93,215,200	(6,074,000)	(188,800)	86,952,400

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 2020, 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. For details, please refer to the announcement of the Company dated 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.

During the six months ended 30 June 2020, no Share was purchased by Trustee pursuant to the Share Award Scheme.

INTERIM DIVIDEND

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (corresponding period of 2019: 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 2020 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 2020, there were no purchase, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

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 2020.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2020 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 2020

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2020 together with the comparative figures for the corresponding period of 2019 and the relevant explanatory notes as set out below.

	NOTES	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	272,950	308,509
Cost of sales		(55,889)	(54,819)
Gross profit		217,061	253,690
Other income, expenses, gains and losses	5	39,886	27,317
Selling and distribution expenses		(50,361)	(63,321)
Administration expenses		(37,266)	(46,196)
Research and development expenses		(49,563)	(57,632)
Operating profit		119,757	113,858
Finance (costs) income, net		(7,792)	(5,095)
Share of losses of associates		(473)	—
Profit before tax	6	111,492	108,763
Income tax expense	7	(15,311)	(16,250)
Profit for the period		96,181	92,513
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		421	139
Other comprehensive income for the period		421	139
Total comprehensive income for the period		96,602	92,652
Profit for the period attributable to:			
Owners of the Company		98,950	92,378
Non-controlling interests		(2,769)	135
		96,181	92,513
Total comprehensive income attributable to:			
Owners of the Company		99,371	92,517
Non-controlling interests		(2,769)	135
		96,602	92,652
Earnings per share	9		
– Basic		RMB2.3 cents	RMB2.1 cents
– Diluted		RMB2.3 cents	RMB2.1 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020



	NOTES	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	376,306	366,373
Investment properties		150,340	150,187
Intangible assets	10	278,898	258,912
Right-of-use assets	11	77,160	81,810
Deposits for acquisition of property, plant and equipment		8,902	3,518
Deferred tax assets		36,402	32,300
Financial assets at FVTPL	13	181,525	179,888
Pledged bank deposits		138,000	90,000
Interests in associates	12	12,964	3,437
		1,260,497	1,166,425
Current assets			
Inventories		92,320	99,125
Trade receivables	14	57,191	72,549
Other receivables and prepayments		84,541	85,100
Fixed bank deposits		70,000	50,000
Bank balances and cash		324,530	299,027
		628,582	605,801
Current liabilities			
Trade and other payables	15	150,771	173,164
Contract liabilities		2,355	5,408
Lease liabilities		12,104	11,660
Tax payables		36,627	37,573
Bank borrowings	17	273,032	113,418
		474,889	341,223
Net current assets		153,693	264,578
Total assets less current liabilities		1,414,190	1,431,003
Non-current liabilities			
Deferred income- Government grants	16	31,915	40,968
Lease liabilities		6,602	11,526
Bank borrowings	17	106,008	216,847
		144,525	269,341
Net assets		1,269,665	1,161,662
Capital and reserves			
Share capital	18	35	35
Share premium and reserves		1,262,749	1,151,977
Equity attributable to owners of the Company		1,262,784	1,152,012
Non-controlling interests		6,881	9,650
Total equity		1,269,665	1,161,662

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	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	Share held for Share Award Scheme RMB'000 (Note iv)	Treasury shares RMB'000 (Note iii)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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)
Cancellation 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
At 1 January 2020	35	778,643	689	50,259	(3)	32,531	74,347	(339,596)	—	555,107	1,152,012	9,650	1,161,662
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	98,950	98,950	(2,769)	96,181
Other comprehensive income for the period	—	—	421	—	—	—	—	—	—	—	421	—	421
Total comprehensive income (loss) for the period	—	—	421	—	—	—	—	—	—	98,950	99,371	(2,769)	96,602
Recognition of equity-settled share-based payments	—	—	—	—	—	—	3,295	—	—	—	3,295	—	3,295
Exercise of share options	—	12,657	—	—	—	—	(4,551)	—	—	—	8,106	—	8,106
At 30 June 2020 (unaudited)	35	791,300	1,110	50,259	(3)	32,531	73,091	(339,596)	—	654,057	1,262,784	6,881	1,269,665

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020



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 years' losses or convert into additional capital of the PRC subsidiaries of the Company.
- (ii) Contribution reserve represents the difference between the fair value of the consideration paid for the acquisition of Lifetech Shenzhen from shareholders and the carrying amount of the share of net assets acquired in August 2006 and it is regarded as a deemed contribution from shareholders under merger accounting.
- (iii) During the year ended 31 December 2019, the Company repurchased a total of 9,414,000 Shares on the Stock Exchange of an aggregate consideration (including transaction cost) of approximately RMB11,874,000. All of the repurchased Shares were cancelled in 2019.

During the six months ended 30 June 2020, no Shares were repurchased on the Stock Exchange.

- (iv) On 28 December 2018, the Company adopted the Share Award Scheme. For the purpose of this scheme, the Company instructed Bank of Communications Trustee Limited to purchase an aggregate of 300,000,000 Shares from Synergy Summit Limited (the "Vendor"), a substantial shareholder of the Company, with funding provided by the Company. The consideration for the Shares was set at HKD1.23 per Share, and Shares will be granted to any employee, executive and non-executive director of the Company (the "Eligible Participants") who will contribute to the Company. During the year ended 31 December 2019, in accordance with the Share Award Scheme, a total of 300,000,000 Shares at a consideration of RMB324,314,000 have been purchased from the Vendor, and a total of 12,620,000 ordinary Shares at a consideration of RMB15,282,000 have been purchased from the market.

During the six months ended 30 June 2020, no Shares of the Company were purchased under the Share Award Scheme.

No share award has been granted to Eligible Participants pursuant to the Share Award Scheme as of 30 June 2020.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	106,117	113,412
INVESTING ACTIVITIES		
Deposits paid for and purchase of property, plant and equipment	(41,349)	(18,122)
Expenditure incurred and capitalised as intangible assets	(22,970)	(20,312)
Government grants received for acquisition of plant and equipment	3,450	430
Investment income from financial assets at FVTPL	9,998	—
Interest received from bank deposits	1,052	—
Capital contribution to an associate	(10,000)	—
Placement of pledged bank deposits	(48,000)	(30,000)
Placement of fixed bank deposits	(50,000)	(50,000)
Release of fixed bank deposits	30,000	5,000
Payments for right-of-use assets/leasehold land	—	(13,100)
NET CASH USED IN INVESTING ACTIVITIES	(127,819)	(126,104)
FINANCING ACTIVITIES		
Bank borrowings raised	142,720	286,809
Repayments of bank borrowings	(93,945)	—
Proceeds from issue of Shares upon exercise of share options	8,106	754
Interest paid for bank borrowings	(1,735)	—
Repayments of lease liabilities	(8,002)	(5,256)
Repayments of Interest on lease liabilities	(360)	(237)
Purchase of shares under Share Award Scheme	—	(338,002)
Repurchase of ordinary Shares	—	(10,629)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	46,784	(66,561)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	25,082	(79,253)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	299,027	352,577
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	421	139
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	324,530	273,463

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020



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 developing, 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 2020 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 2020 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

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

4. SEGMENT INFORMATION

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

4. SEGMENT INFORMATION - continued

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.

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

For the six months ended 30 June 2020

	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)
SEGMENT REVENUE				
External sales	79,290	191,151	2,509	272,950
Segment profit	69,208	153,907	(6,054)	217,061
Unallocated income				
– Other income and other gains				58,463
– Finance income				1,052
Unallocated expense				
– Selling and distribution expenses				(50,361)
– Administration expenses				(37,266)
– Research and development expenses				(49,563)
– Other expenses and losses				(18,577)
– Finance costs				(8,844)
– Share of losses of associates				(473)
Profit before tax				111,492



4. SEGMENT INFORMATION - continued

(a) Segment revenue and results - continued

For the 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)
SEGMENT REVENUE				
External sales	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

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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	185,937	298,724
Peripheral vascular diseases business	558,423	454,185
Cardiac pacing and electrophysiology business	95,191	100,612
Total segment assets	839,551	853,521
Unallocated assets		
Interests in associates	12,964	3,437
Property, plant and equipment	31,642	15,041
Investment properties	150,340	150,187
Deferred tax assets	36,402	32,300
Financial assets at FVTPL	181,525	179,888
Other receivables and prepayments	13,657	13,011
Right-of-use assets	77,160	81,810
Intangible assets	10,890	3,832
Deposits paid for property, plant and equipment	2,418	172
Fixed bank deposits	70,000	50,000
Pledged bank deposits	138,000	90,000
Bank balances and cash	324,530	299,027
Consolidated assets	1,889,079	1,772,226



4. SEGMENT INFORMATION - continued

(b) Segment assets and liabilities - continued

Segment liabilities

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	3,115	6,268
Peripheral vascular diseases business	8,483	8,881
Cardiac pacing and electrophysiology business	5	183
Total segment liabilities	11,603	15,332
Unallocated liabilities		
Other payables	136,373	159,480
Lease liabilities	18,706	23,186
Tax payables	36,627	37,573
Government grants	37,065	44,728
Bank borrowings	379,040	330,265
Consolidated liabilities	619,414	610,564

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, interests in associates, financial assets at FVTPL, pledged bank deposits, fixed bank deposits, deferred tax assets, investment properties, 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, bank borrowings and certain other payables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Other income and expenses		
Government grants	17,099	5,329
Rental income	20,925	25,075
Depreciation of investment properties	(3,144)	(2,729)
Others	(1,642)	315
	33,238	27,990
Other gains and losses		
Loss on disposal of property, plant and equipment	(2)	(40)
Investment income from financial assets at FVTPL	9,998	—
Unrealised foreign exchange gain in financial assets at FVTPL	2,655	266
Loss from changes in fair value of financial assets at FVTPL	(1,765)	(1,209)
Net foreign exchange (losses) gains	(4,238)	310
	6,648	(673)
	39,886	27,317

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020



6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including Directors' remuneration		
Salaries, wages and other benefits	83,572	71,876
Retirement benefits scheme contributions	2,095	6,517
Less: capitalised in development costs	(12,363)	(9,550)
	73,304	68,843
Auditor's remuneration	918	931
Cost of inventories recognised as expenses	55,889	54,819
Depreciation of property, plant and equipment	14,293	13,698
Depreciation of right-of-use assets	7,943	5,889
Depreciation of investment properties	3,144	2,729
Amortisation of intangible assets	3,697	3,084
Gross rental income from investment properties	(20,925)	(25,075)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	3,144	2,729
	(17,781)	(22,346)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	19,413	25,426
Deferred tax		
Current period	(4,102)	(9,176)
	15,311	16,250

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

7. INCOME TAX EXPENSE - continued

Lifetech Scientific Trading Limited, a subsidiary of the Company, is subject to Hong Kong Profits Tax. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2.0 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% on assessable profits earned in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that one major operating subsidiary in the PRC was qualified as High and New Technology Enterprise since 2009, and is entitled to a preferential income tax rate of 15%. This major operating subsidiary is a Hi-Tech enterprise for the periods ended 30 June 2020 and 2019.

For other PRC subsidiaries, their applicable income tax rates are 25% for the periods ended 30 June 2020 and 2019 respectively.

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

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim periods ended 30 June 2020 and 2019. The Directors did not recommend the payment of an interim dividend.

9. 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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Earnings:		
Earnings for the purpose of basic and diluted earnings per share	98,950	92,378
Number of Shares:		
Weighted average number of ordinary Shares for the purpose of basic earnings per share (in thousands)	4,321,571	4,336,500
Effect of dilutive potential ordinary Shares: share options (in thousands)	12,117	6,281
Weighted average number of ordinary Shares for the purpose of diluted earnings per share (in thousands)	4,333,688	4,342,781



10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2020, the Group spent approximately RMB9,955,000 (corresponding period of 2019: approximately RMB12,407,000) for the acquisition of equipment and improvement of plant to update its manufacturing capabilities. In addition, the Group also incurred approximately RMB24,449,000 (corresponding period of 2019: approximately RMB12,831,000) for construction cost of the industrial park and decoration cost of the building.

During the six months ended 30 June 2020, the Group incurred approximately RMB23,555,000 (corresponding period of 2019: approximately RMB23,940,000) of development expenditure for the development of structural heart diseases business and peripheral vascular diseases business, and no expenditure incurred for purchase of intangible assets (corresponding period of 2019: approximately RMB989,000).

11. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2020			
Carrying amount (audited)	59,246	22,564	81,810
For the six months ended 30 June 2020			
Addition	—	3,293	3,293
Depreciation charge	(766)	(7,177)	(7,943)
As at 30 June 2020			
Carrying amount (unaudited)	58,480	18,680	77,160

During the six months ended 30 June 2020, the Group leases various offices, warehouses and staff dormitories. Lease contracts are entered into for fixed term of 1 to 6 years. Lease terms are negotiated on individual basis and contain different terms. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly enters into short-term leases for offices and staff dormitories. During the six months ended 30 June 2020, the short-term lease expenses were amounting to approximately RMB1,062,000.

In addition, lease liabilities of approximately RMB18,706,000 are recognised with related right-of-use assets of approximately RMB18,680,000 as at 30 June 2020. The lease agreements do not impose any covenants other than the security interests in the leased properties that are held by the lessor and the relevant leased properties may not be used as security for borrowing purposes. As at 30 June 2020, the Group has no lease commitments as leasee.

12. INVESTMENTS IN ASSOCIATES

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Cost of investment in associates	13,500	3,500
Share of post-acquisition reserves	(536)	(63)
	12,964	3,437

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entities	Country of incorporation	Place of business	Proportion of Ownership interest held by the Group As at 30 June 2020	Principle activities
Joint Laboratory (Note 1)	The PRC	The PRC	12.5%	Developing medical devices
Shangpin Yunma (Note 2)	The PRC	The PRC	49%	Operating E-commerce

Notes:

- 1) The Group has significant influence over Joint Laboratory since the Group is entitled to appoint one of the five directors of that company under its Articles of Association.
- 2) The Group holds 60% shares of Shenzhen Yunma, a subsidiary of the Group, which holds 49% equity interests of Shangpin Yunma, and serves as the largest shareholder of Shangpin Yunma. The remaining shareholders hold 26% and 25% equity interests of Shangpin Yunma respectively. Under the Article of Association of Shangpin Yunma, shareholders have rights to make managerial decisions and therefore the Group has significant influence over Shangpin Yunma.

Joint Laboratory was established on 27 September 2019 and Shangpin Yunma was established on 16 October 2019. During the six months ended 30 June 2020, Joint Laboratory recognised a loss of approximately RMB2,070,000 and Shangpin Yunma recognised a loss of approximately RMB437,000 and accordingly the Company recognised share of losses.



13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Financial assets mandatorily measured at FVTPL:		
Unlisted participating shares	147,447	146,924
Unlisted fund	33,918	32,964
Equity interest	160	—
	181,525	179,888

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

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

The shares of ABG-Grail and the capital commitment of the Fund held by the Group represent approximately 27% and 10% of the issued share capital of ABG-Grail and the Fund respectively as at 30 June 2020 and 30 June 2019.

On 22 October 2019, the Group exercised its conversion rights and converted the debts, which amounted to an aggregate of approximately USD106,000 (equivalent to approximately RMB747,000), into common stocks of Pulsar. Upon the conversion, the Group owns approximately 2% equity interest of the outstanding shares of capital stock of Pulsar. Pulsar is an American corporation located in Delaware, which focuses on developing non-viral supramolecular nanoparticle vehicles for efficient delivery of multiple therapeutic modalities in patients.

The Group does not have rights to engage in the management of the investments, as such the Group does not have significant influence over the investments and they are not accounted for as associates. Instead, they are accounted for as financial assets at FVTPL in accordance with IFRS 9. In the opinion of the directors of the Company, the investments are held for long-term strategic purposes and as such, the investments are classified as non-current.

The fair value of financial assets that invested in ABG-Grail Limited and the Fund, was determined by a professional independent valuer named GW Financial Advisory Services Limited. The fair value of financial asset that invested in Pulsar, was calculated based on the net assets of Pulsar multiplied by the share of equity interests held by the Group.

14. 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
1 - 90 days	28,529	57,985
91 - 180 days	17,649	11,750
181 - 365 days	9,793	2,570
Over 365 days	1,220	244
	57,191	72,549

15. 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 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
0 - 30 days	7,318	5,712
31 - 60 days	—	2,670
61 - 120 days	2,235	1,078
Over 120 days	1,149	464
	10,702	9,924



16. DEFERRED INCOME – GOVERNMENT GRANTS

	Six months ended 30 June	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Government grant related to assets:		
At the beginning of the period	44,728	59,057
Additions	3,450	430
Released to profit or loss	(11,113)	(853)
At the end of the period	37,065	58,634

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
	Arising from government grants:	
Current liabilities (included in other payables)	5,150	3,760
Non-current liabilities	31,915	40,968
	37,065	44,728

Government grants include subsidies in relation to the acquisition of plant, equipment and the research and development of medical devices. The amount will transfer to income on a systematic basis over the estimated useful lives of the related assets.

During the six months ended 30 June 2020, the Group recognised income of approximately RMB17,099,000 (corresponding period of 2019: approximately RMB5,329,000) of which approximately RMB5,986,000 (corresponding period of 2019: approximately RMB4,477,000) is directly received and recognised in profit or loss.

17. BANK BORROWINGS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Secured bank borrowings (Note)	283,377	330,265
Unsecured bank borrowings	95,663	—
	379,040	330,265
The carrying amounts of the above borrowings are repayable*:		
Within one year	273,032	113,418
Within a period of more than one year but not exceeding two years	106,008	129,375
Within a period of more than two years but not exceeding five years	—	87,472
	379,040	330,265
Less: amounts due within one year shown under current liabilities	(273,032)	(113,418)
Amounts shown under non-current liabilities	106,008	216,847

Note: As at 30 June 2020, United States Dollar ("USD") bank borrowing of USD9,450,000 (equivalent to RMB66,901,000) is secured by the Group's pledged bank deposit of RMB90,000,000. Hong Kong Dollar ("HKD") bank borrowing of HKD237,000,000 (equivalent to RMB216,476,000) is secured by the Group's pledged bank deposit of RMB48,000,000 and the Group's unlisted participating shares of RMB147,447,000.

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

* 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:

	Hong Kong Dollars RMB'000	United States Dollars RMB'000
As at 30 June 2020	216,476	112,564
As at 31 December 2019	260,678	69,587



18. SHARE CAPITAL

	Number of Shares	Amount USD	
Ordinary Shares			
Authorised:			
At 1 January 2019, 31 December 2019 and 30 June 2020 at USD0.00000125 each			
	40,000,000,000	50,000	
Shown in the condensed consolidated financial statements as RMB'000			
	Number of Shares	Amount USD	RMB'000
Issued and fully paid:			
At 1 January 2019 at USD0.00000125 each	4,336,291,200	5,421	35
Exercise of share options	866,000	1	—
Cancellation of ordinary shares	(17,124,000)	(21)	—
At 31 December 2019 at USD0.00000125 each	4,320,033,200	5,401	35
Exercise of share options	6,074,000	8	—
At 30 June 2020 at USD0.00000125 each	4,326,107,200	5,409	35

19. SHARE-BASED PAYMENTS

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 2020, 86,952,400 of such options granted pursuant to the Share Option Scheme remain outstanding and exercisable.

On 10 May 2018 and 29 August 2018, an aggregate of 201,280,000 options and 5,400,000 options were respectively granted subject to certain vesting conditions pursuant to the Share Option Scheme to the Grantees.

19. SHARE-BASED PAYMENTS - continued**Share Option Scheme** - continued

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

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 2020:

Types	Number of Shares subject to share options				
	Outstanding at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2020
Share options granted on 5 May 2015:					
Batch I	17,071,200	—	(2,105,600)	—	14,965,600
Batch II	18,012,800	—	(1,589,200)	—	16,423,600
Batch III	19,094,400	—	(968,400)	(1,600)	18,124,400
Batch IV	20,074,400	—	(1,112,400)	(1,600)	18,960,400
Batch V	18,962,400	—	(298,400)	(185,600)	18,478,400
Total	<u>93,215,200</u>	<u>—</u>	<u>(6,074,000)</u>	<u>(188,800)</u>	<u>86,952,400</u>
Exercisable as at 30 June 2020					<u>86,952,400</u>
Weighted average exercise price					<u>HKD1.464</u>



19. SHARE-BASED PAYMENTS - continued

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 30 June 2019
	Outstanding at 1 January 2019	Granted during the period	Exercised during the period	Lapsed during the period	
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					HKD2.237

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19. SHARE-BASED PAYMENTS - continued**Share Option Scheme** - continued

In respect of the share options exercised during the six months ended 30 June 2020, the weighted average share price at the dates of exercise is HKD1.944 (corresponding period of 2019: HKD1.636).

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 HKD	Exercise price HKD	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.

19. SHARE-BASED PAYMENTS - *continued***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 2020, the Group recognised approximately RMB2,710,000 (corresponding period of 2019: approximately RMB33,680,000) share-based payment expenses in profit or loss. In addition, approximately RMB585,000 (corresponding period of 2019: approximately RMB6,100,000) was capitalised in development costs and inventories.

20. OPERATING LEASES**The Group as lessor**

All of the properties have committed leases for the next 1 to 10 years.

Minimum lease payments receivable on leases are as follows:

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Within one year	45,715	41,969
In the second to third years inclusive	43,713	38,425
In the third to fourth year inclusive	24,425	30,824
In the fourth to fifth year inclusive	10,664	11,274
In the fifth to sixth year inclusive	8,314	7,298
Over six years	14,109	15,067
	146,940	144,857

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21. CAPITAL COMMITMENTS

	30 June 2020 RMB'000 (Unaudited)	31 December 2019 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	28,753	13,932

22. RELATED PARTY DISCLOSURES

(a) Significant related party transaction

Same as disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following transaction with a related party during the period:

Relationship	Nature of transaction	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Substantial shareholder	Purchase of shares under Share Award Scheme	—	324,314

(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	
	2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Short-term employee benefits	9,605	6,072
Post-employment benefits	108	164
	<u>9,713</u>	<u>6,236</u>

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