LifeTech Scientific Corporation
先 健 科 技 公 司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1302)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

FINANCIAL HIGHLIGHTS

- The Group's revenue was approximately RMB352.8 million for the year ended 31 December 2016 in comparison with approximately RMB311.6 million for the corresponding period of 2015, representing a growth of approximately 13.2%.
- The operating profit of the Group was approximately RMB108.3 million for the year 2016, representing a growth of approximately 14.6% as compared with the year 2015. The increase in revenue was mainly attributable to (i) the growth of sales volume of our primary products along with the expansion of our sales network, higher market penetration and increasing market share in the People's Republic of China ("PRC" or "China"), and (ii) the increase of income recognition of government grants and consulting service income.
- Net profit attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB145.7 million as compared to the net profit amounting to approximately RMB2.4 million in 2015. The increase in net profit was mainly attributable to (i) the growth of sales and operating profit; and (ii) the gain on disposal of a subsidiary. The fair value and net exchange losses on convertible notes of the Group relating to the Convertible Notes issued to Medtronic were approximately RMB110.4 million for the year ended 31 December 2016 in comparison with approximately RMB65.6 million for the corresponding period of 2015, representing a growth of approximately 68.3%. Considering that the fair value and net exchange losses of Convertible Notes are non-operating and non-cash flow items, excluding the influence arised therefrom, the Company would have recorded a net profit attributable to owners of the Company of approximately RMB256.1 million for 2016.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2016 (2015: nil).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of LifeTech Scientific Corporation (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016, together with the comparative figures for the corresponding period of 2015, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTES	2016 RMB'000	2015 RMB'000
Revenue	3	**352,849**	311,606
Cost of sales		**(76,315)**	(59,030)
Gross profit		**276,534**	252,576
Other income and other gains and losses	4	**22,491**	10,265
Selling and distribution expenses		**(81,574)**	(73,600)
Administration expenses		**(51,621)**	(47,567)
Research and development expenses		**(57,525)**	(47,222)
Operating profit		**108,305**	94,452
Finance income		**1,721**	1,825
Finance costs		**(16,041)**	(13,251)
Finance costs, net		**(14,320)**	(11,426)
Share of results of associates		**(491)**	91
Fair value and net exchange losses on convertible notes		**(110,392)**	(65,644)
Gains on disposal of subsidiaries	13	**203,848**	8,923
Profit before tax	5	**186,950**	26,396
Income tax expense	6	**(41,240)**	(22,371)
Profit for the year		**145,710**	4,025
Other comprehensive (expense) income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,092)**	72
Reclassification of reserve upon disposal of a subsidiary		**—**	421
Other comprehensive (expense) income for the year		**(1,092)**	493
Total comprehensive income for the year		**144,618**	4,518
Profit for the year attributable to:			
Owners of the Company		**145,652**	2,359
Non-controlling interests		**58**	1,666
		145,710	4,025
Total comprehensive income attributable to:			
Owners of the Company		**144,560**	2,852
Non-controlling interests		**58**	1,666
		144,618	4,518
Earnings per share	8		
– Basic (RMB)		**0.036**	0.001
– Diluted (RMB)		**0.036**	0.001

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2016

	NOTES	2016 RMB'000	2015 RMB'000
Non-current assets			
Property, plant and equipment		**334,736**	257,041
Investment properties		**1,547**	1,620
Intangible assets		**110,693**	78,169
Prepaid lease payments		**31,987**	33,258
Deposits for acquisition of property, plant and equipment		**13,615**	15,133
Deferred tax assets		**18,153**	14,822
Interests in associates		**1,044**	897
Other receivables	10	**6,300**	—
		518,075	400,940
Current assets			
Inventories		**40,350**	38,404
Trade receivables	9	**83,421**	70,951
Other receivables and prepayments	10	**41,743**	35,211
Prepaid lease payments		**1,271**	1,271
Bank balances and cash	11	**645,208**	255,110
		811,993	400,947
Current liabilities			
Trade and other payables	12	**157,814**	101,394
Tax payables		**43,303**	19,794
Bank borrowings due within one year		**20,000**	—
		221,117	121,188
Net current assets		**590,876**	279,759
Total assets less current liabilities		**1,108,951**	680,699
Non-current liabilities			
Government grants		**58,356**	58,429
Convertible notes		**—**	97,214
Conversion option derivative liability		**—**	296,759
Bank borrowings due after one year		**180,000**	48,023
		238,356	500,425
Net assets		**870,595**	180,274

	2016	2015
	RMB'000	RMB'000
Capital and reserves		
Share capital	**35**	32
Share premium and reserves	**867,582**	180,221
Equity attributable to owners of the Company	**867,617**	180,253
Non-controlling interests	**2,978**	21
Total equity	**870,595**	180,274

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Share option reserve RMB'000	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Accumulated losses RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2015	32	251,593	2,399	34,373	—	(421)	32,531	(169,243)	151,264	5,041	156,305
Profit for the year	—	—	—	—	—	—	—	2,359	2,359	1,666	4,025
Other comprehensive income for the year	—	—	72	—	—	—	—	—	72	—	72
Reclassification of reserve upon disposal of a subsidiary	—	—	—	—	—	421	—	—	421	—	421
Total comprehensive income for the year	—	—	72	—	—	421	—	2,359	2,852	1,666	4,518
Dividends paid to non- controlling interests	—	—	—	—	—	—	—	—	—	(1,667)	(1,667)
Release upon disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(5,019)	(5,019)
Recognition of equity-settled share-based payments	—	—	—	—	26,137	—	—		26,137	—	26,137
Appropriations	—	—	—	10,209	—	—	—	(10,209)	—	—	—
At 31 December 2015	32	251,593	2,471	44,582	26,137	—	32,531	(177,093)	180,253	21	180,274
Profit for the year	—	—	—	—	—	—	—	145,652	145,652	58	145,710
Other comprehensive expense for the year	—	—	(1,092)	—	—	—	—	—	(1,092)	—	(1,092)
Total comprehensive (expense) income for the year	—	—	(1,092)	—	—	—	—	145,652	144,560	58	144,618
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	—	(4)	(4)
Conversion of convertible notes	3	515,017	—	—	—	—	—	—	515,020	—	515,020
Share option lapsed during the year	—	—	—	—	(406)	—	—	406	—	—	—
Recognition of equity-settled share-based payments	—	—	—	—	26,730	—	—	—	26,730	—	26,730
Exercise of share options	—	1,645	—	—	(588)	—	—	—	1,057	—	1,057
Acquisition of partial interest in a subsidiary	—	—	—	—	—	(3)	—	—	(3)	3	—
Disposal of partial interest in a subsidiary	—	—	—	—	—	—	—	—	—	2,900	2,900
Appropriations	—	—	—	5,476	—	—	—	(5,476)	—	—	—
	3	516,662	(1,092)	5,476	25,736	(3)	—	140,582	687,364	2,957	690,321
At 31 December 2016	35	768,255	1,379	50,058	51,873	(3)	32,531	(36,511)	867,617	2,978	870,595

Notes:

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

(ii) Contribution reserve represents the difference between the fair value of the consideration paid for the acquisition of Lifetech Scientific (Shenzhen) Co., Ltd. ("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.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	NOTE	**2016**	2015
		RMB'000	RMB'000
OPERATING ACTIVITIES			
Profit before tax		**186,950**	26,396
Adjustments for:			
Depreciation of property, plant and equipment		**8,731**	6,423
Share-based payment expenses		**22,232**	20,357
Loss on disposal of property, plant and equipment		**351**	126
Amortisation of intangible assets		**1,406**	1,276
Depreciation of investment properties		**73**	73
Release of prepaid lease payments		**1,271**	1,271
Write-down on inventories		**4,962**	5,500
Impairment loss recognised on trade receivables		**1,324**	2,722
Gains on disposal of subsidiaries	13	**(203,848)**	(8,923)
Government grants		**(9,139)**	(8,333)
Finance income		**(1,721)**	(1,825)
Finance costs		**16,041**	13,251
Share of results of associates		**491**	(91)
Fair value and net exchange losses on convertible notes		**110,392**	65,644
Operating cash flows before movements in working capital		**139,516**	123,867
Increase in inventories		**(19,884)**	(12,951)
Increase in trade receivables		**(13,702)**	(9,166)
Increase in other receivables and prepayments		**(11,599)**	(494)
Increase in trade and other payables		**48,659**	53,383
Increase in government grants received for operating activities		**5,725**	7,083
Cash generated from operations		**148,715**	161,722
Income taxes paid		**(21,759)**	(17,409)
NET CASH FROM OPERATING ACTIVITIES		**126,956**	144,313

	NOTE	2016	2015
		RMB'000	RMB'000
INVESTING ACTIVITIES			
Interest received from bank deposits		**1,721**	1,096
Interest received from structured deposits		**—**	729
Acquisition of a subsidiary		**459**	—
Proceeds from disposal of property, plant and equipment		**202**	122
Deposits paid for and purchase of property, plant and equipment		**(78,537)**	(218,175)
Payments for intangible assets		**(530)**	(964)
Development costs paid		**(28,916)**	(22,596)
Government grants received for acquisition of plant and equipment		**4,100**	27,750
Release of structured deposits		**—**	9,440
Proceeds from disposal of subsidiaries (net of cash and cash equivalents disposed)	13	**213,207**	10,645
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**111,706**	(191,953)
FINANCING ACTIVITIES			
Bank borrowings raised		**151,977**	48,023
Proceeds from issue of shares upon exercise of share options		**344**	—
Dividend paid to non-controlling interests		**(4)**	(1,667)
NET CASH FROM FINANCING ACTIVITIES		**152,317**	46,356
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**390,979**	(1,284)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**255,110**	256,322
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(881)**	72
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash		**645,208**	255,110

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "HKSE") until 5 November 2013 when its shares were delisted from the Growth Enterprise Market of the HKSE and listed on the Main Board of the HKSE by way of transfer of listing. Mr. Xie Yuehui, is the Chairman and Chief Executive Officer of the Company. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands and the address of the principal place of business is Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, Guangdong Province, the PRC.

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to IFRSs issued by the IASB for the first time in the current year:

Amendments to IFRS 11	Accounting for Acquisitions of Interest in Joint
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related clarifications
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2017

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

IFRS 9 Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirement for financial assets.

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

New and amendments to IFRSs issued but not yet effective - *continued*

IFRS 9 Financial Instruments - continued

Key requirements of IFRS 9 which are relevant to the Group is:

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39 "Financial Instruments". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until the Group performs a detailed review.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contracts with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the International Accounting Standards Board issued clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

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

New and amendments to IFRSs issued but not yet effective - ***continued***

IFRS 16 Leases

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

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are notpaid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the IFRS 16, lease payments in relation to lease liability will be allocated into aprincipal and an interest portion which will be presented as financing cash flows.

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

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of RMB 10,036,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide areasonable estimate of the financial effect until the directors complete a detailed review.

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

New and amendments to IFRSs issued but not yet effective - *continued*

Amendments to IAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as described above, the directors of the Company anticipate that the application of these new and amendments to IFRSs will have no material impact on the Group's consolidated financial statements.

3. SEGMENT INFORMATION

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

In prior years, information reported to the Company's executive directors, being the chief operating decision makers of the Group, in respect of the Group's business are focused on the congenital heart diseases business, peripheral vascular diseases business and surgical vascular repair business. In current year, the directors reconsider the significance of relative size of different business segment based on the latest development of the Groups' products, the Group changed the structure of its internal report reviewed by the Company's executive directors in order to present a more meaningful presentation of key products range of the Group and the relevant performance of different key product via different market.

This led to a change in the segment report for prior comparable period. The three previous operating and reportable segments, namely congenital heart diseases business, peripheral vascular diseases business and surgical vascular repair business have therefore been converted into structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business.

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. The congenital heart diseases business and surgical vascular repair business in prior year have been combined as structural heart diseases business this year.

3. **SEGMENT INFORMATION** - *continued*

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

- Peripheral vascular diseases business: trade, manufacture, research and development of devices related to peripheral vascular diseases. This segment is consistent with prior year presentation and no change has been made in this year.
- Cardiac pacing and electrophysiology business: trade, manufacture, research and development of devices related to cardiac pacing and electrophysiology. This segment is newly identified in 2016.

Information regarding the above segments is reported below.

(a) **Segment revenue and results**

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

For the year ended 31 December 2016

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	124,454	228,395	—	352,849
Segment profit	91,565	184,969	—	276,534
Unallocated income				
– Finance income				1,721
– Other income and other gains and losses				22,491
– Gain on disposal of a subsidiary				203,848
Unallocated expense				
– Fair value and net exchange loss on convertible notes				(110,392)
– Selling and distribution expenses				(81,574)
– Administration expenses				(51,621)
– Research and development expenses				(57,525)
– Share of results of associates				(491)
– Finance costs				(16,041)
Profit before tax				186,950

3. SEGMENT INFORMATION - *continued*

(a) Segment revenue and results - *continued*

For the year ended 31 December 2015 (restated)

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
SEGMENT REVENUE				
External sales	142,629	168,977	—	311,606
Segment profit	111,844	140,732	—	252,576
Unallocated income				
– Finance income				1,825
– Other income and other gains and losses				10,265
– Share of results of associates				91
– Gain on disposal of a subsidiary				8,923
Unallocated expense				
– Fair value and net exchange loss on convertible notes				(65,644)
– Selling and distribution expenses				(73,600)
– Administration expenses				(47,567)
– Research and development expenses				(47,222)
– Finance costs				(13,251)
Profit before tax				26,396

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

3. **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

	2016	2015
	RMB'000	RMB'000
		(restated)
Operating segments:		
Structural heart diseases business	**185,195**	203,325
Peripheral vascular diseases business	**372,262**	248,135
Cardiac pacing and electrophysiology business	**91,421**	64,302
Total segment assets	**648,878**	515,762
Unallocated assets		
Property, plant and equipment	**1,419**	709
Investment properties	**1,547**	1,620
Deferred tax assets	**18,153**	14,822
Interests in associates	**1,044**	897
Other receivables and prepayments	**13,819**	12,967
Bank balances and cash	**645,208**	255,110
Consolidated assets	**1,330,068**	801,887

3. SEGMENT INFORMATION - *continued*

(b) Segment assets and liabilities - *continued*

Segment liabilities

	2016 RMB'000	2015 RMB'000 (restated)
Operating segments:		
Structural heart diseases business	**9,899**	5,474
Peripheral vascular diseases business	**12,243**	7,663
Cardiac pacing and electrophysiology business	**9,968**	10,602
Total segment liabilities	**32,110**	23,739
Unallocated liabilities		
Other payables	**124,014**	76,725
Tax payables	**43,303**	19,794
Government grants	**60,046**	59,359
Convertible notes	**—**	97,214
Conversion option derivative liability	**—**	296,759
Bank borrowings	**200,000**	48,023
Consolidated liabilities	**459,473**	621,613

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

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

3. SEGMENT INFORMATION - *continued*

(c) Other segment information

For the year ended 31 December 2016

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiacl pacing and electrophysiology business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Capital expenditure (Note)	**33,825**	**62,074**	**24,706**	**—**	**120,605**
Depreciation of property, plant and equipment	**3,059**	**5,613**	**—**	**59**	**8,731**
Amortisation of intangible assets	**496**	**910**	**—**	**—**	**1,406**
Write-down on inventories	**1,750**	**3,212**	**—**	**—**	**4,962**

For the year ended 31 December 2015 (restated)

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiacl pacing and electrophysiology business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Capital expenditure (Note)	84,511	100,122	61,406	—	246,039
Depreciation of property, plant and equipment	2,870	3,400	—	153	6,423
Amortisation of intangible assets	585	691	—	—	1,276
Write-down on inventories	2,518	2,982	—	—	5,500

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

3. SEGMENT INFORMATION - *continued*

(d) Geographical information

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

	Revenue from external customers		Non-current assets	
	2016	2015	**2016**	2015
	RMB'000	RMB'000	**RMB'000**	RMB'000
PRC (country of domicile)	**283,836**	239,474	**490,970**	383,197
Europe	**16,896**	20,249	**1,441**	728
India	**22,055**	21,574	**158**	157
Asia, excluding PRC and India	**20,667**	16,884	**6**	1,136
South America	**7,367**	11,571	**—**	—
Africa	**145**	171	**—**	—
Others	**1,883**	1,683	**3**	3
Total	**352,849**	311,606	**492,578**	385,221

Note: Non-current assets excluded deferred tax assets, interests in associates and other receivables as details in note 10.

(e) Information about major customers

No external customers of the Group individually contributed over 10% of the Group's revenue for each of the years ended 31 December 2016 and 2015.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	2016	2015
	RMB'000	RMB'000
Government grants	**9,139**	8,333
Rental income	**1,259**	1,291
Losses on disposal of property, plant and equipment	**(351)**	(126)
Net foreign exchange gains, other than the net exchange gains on convertible notes	**6,707**	400
Consulting income	**4,620**	—
Others	**1,117**	367
	22,491	10,265

5. PROFIT BEFORE TAX

	2016	2015
	RMB'000	RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' fee	**400**	384
Salaries, wages and other benefits	**74,208**	64,139
Performance related bonus	**18,863**	17,047
Share-based payment expenses	**26,730**	26,137
Retirement benefits scheme contributions	**7,974**	6,724
Less: capitalised in development costs, construction in progress and inventories	**(27,032)**	(21,481)
	101,143	92,950
Auditor's remuneration (including audit and non-audit services)	**1,685**	1,651
Impairment losses on trade receivables	**1,324**	2,722
Cost of inventories recognised as expenses (Note)	**76,315**	59,030
Depreciation of property, plant and equipment	**8,731**	6,423
Depreciation of investment properties	**73**	73
Amortisation of intangible assets	**1,406**	1,276
Release of prepaid lease payments	**1,271**	1,271
Gross rental income from investment properties	**(1,259)**	(1,291)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**73**	73
	(1,186)	(1,218)

Note: For the year end 31 December 2016, cost of inventories recognised as expenses included write-down on inventories of approximately RMB4,962,000 (2015: approximately RMB5,500,000).

6. INCOME TAX EXPENSE

	2016 RMB'000	2015 RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	**44,571**	23,098
Deferred tax (credit) charge:		
Current year	**(3,331)**	(727)
	41,240	22,371

The Company is tax exempted under the laws of the Cayman Islands. New Centre International Limited 新城市國際有限公司, a subsidiary of the Company, is subject to Hong Kong Profits Tax rate of 16.5% on assessable profits earned in Hong Kong. No provision for Hong Kong Profits Tax has been made for the two years ended 31 December 2016 and 2015 as the income of New Centre International Limited 新城市國際有限公司 neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that one major operating subsidiary in the PRC was qualified as High and New Technology Enterprise since 2009, and is entitled to a preferential income tax rate of 15%. The qualification granted in September 2014 of High and New Technology Enterprises is subject to review once every three years and the one major operating subsidiary continued to be recognised as a hi-tech enterprise for the two years ended 31 December 2016 and 2015.

The applicable income tax rate of Lifetech Scientific India Private Ltd. ("Lifetech India") in the jurisdiction of India is 30.9% on its taxable profits. No provision for profit tax in India has been made for the two years ended 31 December 2016 and 2015 as there is no assessable profits for the two years ended 31 December 2016 and 2015.

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

6. INCOME TAX EXPENSE - *continued*

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

	2016	2015
	RMB'000	RMB'000
Profit before tax	**186,950**	26,396
Tax at the applicable tax rate of 15% (2015: 15%) (Note)	**28,043**	3,959
Tax effect of share of result of an associate	**(22)**	(32)
Tax effect of expenses not deductible for tax purpose	**21,394**	18,603
Tax effect of tax losses not recognised	**257**	2,157
Tax effect of additional deductible research and development expenditure	**(1,752)**	(2,004)
Tax effect of income not taxable for tax purpose	**(6,695)**	(375)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**15**	63
Income tax expense for the year	**41,240**	22,371

Note: As the applicable tax rate used in current year has been changed from 25% in prior year to 15% which represents the prevail income tax rate of the major operating subsidiary which constitutes the substantial part of the Group's operations, prior year reconciliation have been represented using the tax rate of 15% for comparison purposes.

7. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2016 and 2015, nor any dividend proposed since the end of the reporting period.

8. EARNINGS PER SHARE

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

	2016 RMB'000	2015 RMB'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**145,652**	2,359

	2016 '000	2015 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,002,689**	4,000,000
Effect of dilutive potential ordinary shares: share options	**1,068**	—
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,003,757**	4,000,000

The computation of diluted earnings per share for the year ended 31 December 2016 does not assume the exercise of certain of the Company's options since the average market price of the Company's share is lower than the adjusted exercise price of those options.

The computations of diluted earnings per share for the years ended 31 December 2016 and 2015 do not assume the conversion of convertible notes because the conversion of convertible notes would result in an increase in earnings per share.

The computation of diluted earnings per share for the year ended 31 December 2015 does not assume the exercise of all of the Company's options since the average market price of the Company's share is lower than the adjusted exercise price of those options.

The calculation of basic and diluted earnings per share for the year ended 31 December 2015 have been adjusted as a result of the share subdivision on 12 January 2015.

9. TRADE RECEIVABLES

	2016	2015
	RMB'000	RMB'000
Trade receivables	**83,726**	73,978
Less: allowance for doubtful debts	**(305)**	(3,027)
	83,421	70,951

As at 31 December 2015, included in trade receivables are trade balances with a shareholder of approximately RMB307,000 and an associate of approximately RMB2,066,000. These amounts were fully received during the year ended December 2016 and no outstanding balances with them as at 31 December 2016.

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

The Group normally allows a credit period of 30 to 180 days (2015: 30 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for doubtful debts, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2016	2015
	RMB'000	RMB'000
1 to 90 days	**65,961**	51,159
91 to 180 days	**13,298**	8,658
181 to 365 days	**2,422**	6,149
Over 365 days	**1,740**	4,985
	83,421	70,951

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

Trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

9. TRADE RECEIVABLES - *continued*

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately RMB10,784,000 (2015: approximately RMB20,186,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The management of the Group reviews the aging analysis at the end of reporting period and satisfied with the continuous subsequent settlement on the trade receivable balance, as a result, the impairment of trade receivable is estimated to be insignificant.

Aging of past due but not impaired trade receivables

	2016	2015
	RMB'000	RMB'000
Age:		
Within 90 days	**3,280**	4,754
91 - 180 days	**4,408**	7,623
181 - 365 days	**1,488**	5,526
Over 365 days	**1,608**	2,283
	10,784	20,186

Movement in the allowance for doubtful debts

	2016	2015
	RMB'000	RMB'000
At 1 January	**3,027**	3,356
Impairment losses recognised on receivables	**1,324**	2,722
Amount written off during the year as uncollectible	**(4,046)**	(3,051)
At 31 December	**305**	3,027

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of approximately RMB305,000 (2015: approximately RMB3,027,000) of which the debtors were in financial difficulties.

10. OTHER RECEIVABLES AND PREPAYMENTS

	2016	2015
	RMB'000	RMB'000
Other debtors (Note i)	**21,988**	12,174
Receivables for deposits paid for acquisition of long term investment/intangible assets – due within one year (Note ii)	**6,300**	12,600
Prepayments	**3,430**	3,514
Advance to employees	**8,041**	5,167
Rental deposits	**1,565**	1,378
Other deposits	**419**	378
	41,743	35,211
Receivables for deposits paid for acquisition of long term investment/intangible assets – due after one year (Note ii)	**6,300**	—

Notes:

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

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

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

10. OTHER RECEIVABLES AND PREPAYMENTS - *continued*

Notes: - *continued*

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

The management of the Company considered that no impairment loss was recognised in profit or loss for the deposit on Project B of USD 2,000,000 (equivalent to RMB12, 600,000) after considering the relationship with the independent third party and the subsequent settlement of the first installment of deposit of RMB6, 300,000 in January 2017. As the second installment is due on or before 27 January 2018, the amount of RMB6,300,000 has been reclassified as non-current asset.

In respect of the deposit for Project A, the management of the Company is of the opinion that impairment loss previously recognised should not be reversed since the third and final installment will only be settled in late 2018 and 2019 after the reporting date and there is uncertainty on its recoverability.

11. BANK BALANCES AND CASH

The Group's bank balances carry interest at prevailing market rates which range from 0.01% to 0.30% (2015: 0.01% to 0.30%) per annum.

12. TRADE AND OTHER PAYABLES

	2016	2015
	RMB'000	RMB'000
Trade payables	**32,110**	23,739
Other payables:		
Government grants	**1,690**	930
Accrued payroll and bonus	**25,439**	20,431
Other payables	**7,606**	2,315
Construction payables	**8,664**	28,637
Accrued expenses	**24,517**	17,080
Value-added tax payables	**7,383**	5,099
Receipt in advance from customers	**579**	692
Deferred income on consulting services (note)	**47,379**	—
Other tax payables	**2,447**	2,471
	125,704	77,655
	157,814	101,394

12. TRADE AND OTHER PAYABLES *(continue)*

Note: As detailed in note 13, the Group disposal of a subsidiary, Beijing PerMed Biomedical Engineering Co., Ltd. ("Beijing PerMed") to an independent third party ("Purchaser") (the "Disposal"). Pursuant to an consulting agreement signed between the Group and the Purchaser, the Group is engaged to provide consulting services to the Purchaser for a period of 12 months at a consideration of USD8,000,000 (approximate to RMB55,358,000) in respect of (i) assist the Purchaser in integration and consolidation of the business of Beijing PerMed after the completion of the Disposal; (ii) assist the Purchaser in mastering know-how and process related to the work products under relevant agreement; and (iii) assist the Purchaser in establishing stable and continuous business relationship between PerMed and suppliers of PerMed. During the year, the Group received USD7,500,000 (approximate to RMB51,999,000) and the remaining USD500,000 (approximate RMB3,359,000) will be received after nine months of the date of consulting agreement. An amount of RMB4,620,000 was recognised as other income upon the services rendered during the year.

Included in trade payables is trade balances with a shareholder of RMB24,045,000 (2015: approximately RMB13,509,000). Included in other payables is balances with a shareholder of approximately RMB5,377,000 (2015: nil).

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:

	2016	2015
	RMB'000	RMB'000
0 - 30 days	**19,659**	17,119
31 - 60 days	**7,428**	4,295
61 - 90 days	**4,219**	2,052
91 - 120 days	**158**	69
Over 120 days	**646**	204
	32,110	23,739

13. DISPOSAL OF SUBSIDIARIES

(i) On 30 November 2016, the Group disposed of the entire 100% equity interests in Beijing PerMed Biomedical Engineering Co., Ltd. ("Beijing PerMed") to an independent third party at a cash consideration of USD 31,000,000 (equivalent to RMB 213,482,000). The net assets of Beijing PerMed at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	1,496
Inventories	13,173
Intangible assets	—
Trade receivables	11
Other receivables	2,855
Bank balances and cash	275
Trade and other payables	(8,176)
Net assets disposed of	9,634
Gain on disposal of a subsidiary:	
Consideration received	213,482
Net assets disposed of	(9,634)
Gain on disposal	203,848
Net cash inflow arising on disposal:	
Cash consideration	213,482
Less: bank balances and cash disposed of	(275)
	213,207

13. DISPOSAL OF SUBSIDIARIES - *continued*

(ii) On 14 August 2015, the Group disposed of the entire 60% equity interests in Shenzhen Shineyard Medical Device Co., Ltd. ("Shenzhen Shineyard") at a cash consideration of RMB17,300,000. The net assets of Shenzhen Shineyard at the date of disposal were as follows:

	RMB'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	559
Intangible assets	1,316
Deferred tax assets	61
Inventories	1,581
Trade and other receivables	3,666
Bank balances and cash	6,655
Trade and other payables	(863)
Net assets disposed of	12,975
Gain on disposal of a subsidiary:	
Consideration received	17,300
Net assets disposed of	(12,975)
Non-controlling interests	5,019
Reclassification of capital reserve upon disposal	(421)
Gain on disposal	8,923
Net cash inflow arising on disposal:	
Cash consideration	17,300
Less: bank balances and cash disposed of	(6,655)
	10,645

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

Annual performances

Despite of the challenges of uncertain global economic environment and more fierce worldwide competition within the medical devices industry, we were able to achieve solid results for our core businesses. China is still our largest market, and sales generated from the PRC market accounted for approximately 80.4% of our total revenue for the year ended 31 December 2016 (2015: approximately 76.9%). Our domestic sales maintained a steady growth of approximately 18.5% during the year ended 31 December 2016 as compared to the corresponding period in 2015, indicating our stronger brand image and greater market share in China. Our international markets recorded approximately a 4.3% decrease in sales revenue for the year ended 31 December 2016 as compared to the corresponding period in 2015, which was mainly due to almost no sales revenue generated from the CeraFlex™ product in Europe as we terminated the exclusive distribution rights of Medtronic for CeraFlex™ occluders in selected countries in Europe and the Middle East.

Pacemaker project

HeartTone™ pacemaker, as set out in a series of agreements entered into between the Group and Medtronic, Inc. or its affiliates ("Medtronic") on 25 July 2014 (the "New Transaction Agreements"), will be manufactured and commercialised under the Company's brand with help and guidance from Medtronic. In 2016, we have been continuously making good progress in our pacemaker project. The pacemaker product line has met the manufacturing qualification requirements with the support from Medtronic. In August 2016, the HeartTone™ pacemaker was approved as an innovative medical device by the CFDA in accordance with the CFDA's Procedures for Special Approval of Innovative Medical Devices (Trial) No. 13 (2014). The animal study was completed in January 2017.

Research and development ("R&D")

In 2016 we have made the following achievements in R&D field:

- In February 2016, the GoldenFlow™ peripheral stent was granted with the CE certification in Europe.
- In June 2016, the LAmbre™ LAA occluder system was granted with the CE certification approval in Europe, which made it the only LAA closure product of a Chinese brand with such certification.
- The SteerHD™ delivery sheath has obtained its registration certificate in China.
- The FemFlow™ DEB, the HeartTone™ pacemaker and the IrisFIT™ PFO occluder have been approved as innovative medical devices.
- Iliac Bifurcation Stent Graft System was still at the stage of clinical trial.

Marketing activity

In 2016, we were continuously strengthening the distribution system by choosing quality distributors, and we also promoted our products by expanding our activities in tradeshow marketing and sales network coverage. Below are marketing activities highlights of 2016:

- From 3 to 5 March 2016, Pediatric and Adult Interventional Cardiac Symposium ("PICS-AICS") and Catheter Interventions in Congenital, Structural and Valvular Heart Disease ("CSI") jointly organised the conference named "PICS CSI Asia 2016" in Dubai, UAE. Lifetech was invited to attend the conference as one of major sponsors. In the conference, Lifetech held a satellite symposium with the topic of "Congenital Heart Disease Occlusion Experiences Sharing and Discussion", and invited famous experts in the field to share their practice in applying congenital heart disease treatment devices and clinical trial experience of our products. Lecturers and experts recognised the clinical application advantages of innovative products independently developed by Lifetech, shared their experience of using CeraFlex™ occluders with other users from all over the world, and had an indepth discussion on clinical applicability and related topics.
- In April 2016, Lifetech cooperated with experts on congenital cardiovascular diseases from the People's Hospital of Tibet Autonomous Region and West China Second University Hospital of Sichuan University, to perform voluntary screening of congenital heart diseases on children in Naqu County, Tibet. During the activity which lasted for several weeks, the team had performed the screening on more than 3,600 children, completed more than 320 ultrasonic tests and diagnosed 45 patients with congenital heart diseases. In December 2016, the first 31 patients with congenital heart diseases received our treatment and were successfully cured.

- In 2016, as a leading enterprise in cardiovascular minimally invasive interventional medical device field, Lifetech was invited to a number of international forums such as, the 7th Asia Pacific Congenital and Structural Heart Intervention Symposium 2016 ("APCASH") held in Hong Kong, Global Left Atrial Appendage Occlusion Summit 2016 held in Leipzig Germany, Transcatheter Cardiovascular Therapeutics "TCT2016" held in Washington and LAA CSI Focus 2016 held in Frankfurt, Germany to show the outstanding product design characteristics and the clinical application of excellent performance of LAmbre™ LAA occluder which manifested the rich capability of independent innovation of the company. With the successful launch of LAmbre™ LAA occluder in the European Union, we are looking forward to provide safer and more effective clinical solutions, benefiting more patients with the convenience of technology in the future.
- From 3 to 6 November 2016, the 9th China Endovascular Conference ("CEC 2016") was held in Beijing. Lifetech held many academic activities during the conference, showed the innovation strength in cardiovascular interventional treatment cavity field and product superiority of Lifetech according the high-end academic platform as well as discussed and communicated about the clinical experience and technological development with the cardiovascular specialists. The CEC 2016 showcased Ankura™ stent graft system, Fustar™ steerable introducer, Aegisy™ vena cava filter and the iliac artery bifurcation stent graft system. Five famous experts in the industry were invited as guest speakers who made speeches about the clinical usage insight and intraoperative advantage of the Ankura™ stent graft system, the iliac artery and bifurcation stent graft system and other products which were researched and developed independently by Lifetech.
- Lifetech Knowledge Exchange Program ("LKEP") continued to promote the spread of cutting-edge science in minimally invasive surgery with cardiovascular intervention aiming to improve the treatment skills of the doctors and thereby to allow more patients to receive safer and more effective treatment. As at 31 December 2016, Lifetech held 37 LKEP academic exchange programs in China, Greece, Turkey, Russia, Kazakhstan, Indonesia, Thailand and other countries, involving over 200 experts from different countries. After four years of development, LKEP becomes a bridge which connects the cardiovascular specialists around the world. The LKEP will help experts from around the world to break geographical, cultural and language barriers, discuss and exchange precious medical experience and clinical skills on the topic of cardiovascular minimally invasive interventional medical technology, learn from each other, make progress together and build friendships. More meaningfully, not only more Chinese experts got on the world arena, but LKEP also convinced foreign experts that cardiovascular minimally invasive interventional medical technology developed in China market is rapidly advancing towards the world frontier and reaching internationally leading levels.

PATENTS AND BRANDING

In 2016, we filed 191 patent applications, including 108 applications in the PRC and 42 applications overseas, such as the European Union, United States, India, Australia, Korea and Japan and 41 applications in Patent Cooperation Treaty ("PCT").

In addition, 40 patents were approved during the year of 2016. As at 31 December 2016, we have filed a total of 486 patent applications.

FINANCIAL REVIEW

Overview

The Company has maintained a steady growth for the year ended 31 December 2016.

Revenue

Our revenue was approximately RMB352.8 million for the year ended 31 December 2016, with an increase of approximately RMB41.2 million or approximately 13.2% as compared to the revenue for the year ended 31 December 2015. The growth in revenue was mainly attributable to the increase of revenue from the peripheral vascular diseases business.

Revenue from structural heart diseases business

The turnover contributed by the structural heart diseases business for the year ended 31 December 2016 was approximately RMB124.5 million (2015: approximately RMB142.6 million), representing a decrease of approximately 12.7%.

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

The revenue generated from the congenital heart occluders for the year ended 31 December 2016 was approximately RMB120.0 million (corresponding period in 2015: approximately RMB142.4 million), representing a decrease of approximately 15.7%. As compared to the corresponding period of 2015, the revenue generated from the sales of HeartR devices decreased by approximately 13.4%, Cera devices increased by approximately 4.9% and CeraFlex devices decreased by approximately 33.5% for the year ended 31 December 2016. The decrease was mainly due to the uncertain global economic environment and the Group was undergoing a transition period of strategic adjustment in some regions.

We launched our new product LAmbre™ LAA occluder in the European market after obtaining the CE certification in June 2016. The revenue generated from the sales of LAmbre™ LAA occluder was approximately RMB3.2 million for the year ended 31 December 2016 (2015: Nil).

As compared to the corresponding period of 2015, the revenue generated from the sales of heart valve increased by approximately 234.3% for the year ended 31 December 2016.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2016 was approximately RMB228.4 million (2015: approximately RMB169.0 million), representing a growth of approximately 35.1%.

The products we offered in the peripheral vascular diseases business included vena cava filter, TAA and Abdominal Aortic Aneurysm ("AAA") stent grafts, vascular plug and Fustar™ steerable introducer. The vena cava filter experienced approximately 22.1% sales revenue growth for the year ended 31 December 2016 as compared to the corresponding period of 2015. Our stent grafts achieved a growth of approximately 45.5% during the year ended 31 December 2016.

Currently, the new product from cardiac pacing and electrophysiology business has not yet been launched in the market.

Gross profit and gross profit margin

As a result of the increased sales and diversity of our products, gross profit of the Group increased by approximately 9.5% from approximately RMB252.6 million for the year ended 31 December 2015 to approximately RMB276.5 million for the year ended 31 December 2016. Gross profit margin decreased by 2.7% from approximately 81.1% for the year ended 31 December 2015 to approximately 78.4% for the year ended 31 December 2016.

Selling and distribution expenses

Selling and distribution expenses increased by 10.9% from approximately RMB73.6 million for the year ended 31 December 2015 to approximately RMB81.6 million for the year ended 31 December 2016. The increase was primarily due to (i) an increase of marketing expenses; and (ii) an increase of royalty fee paid and payable to Medtronic.

Administration expenses

Administration expenses increased by 8.4% from approximately RMB47.6 million for the year ended 31 December 2015 to approximately RMB51.6 million for the year ended 31 December 2016. The increase was primarily due to the increase of staff costs.

Research and development expenses

Research and development expenses increased by 21.8% from approximately RMB47.2 million for the year ended 31 December 2015 to approximately RMB57.5 million for the year ended 31 December 2016. The increase was primarily due to (i) an increase of developing projects expenditure; and (ii) an increase of salary, bonus and related expenses for staff in research and development department.

Operating profit

Operating profit increased by approximately 14.6% from approximately RMB94.5 million for the year ended 31 December 2015 to approximately RMB108.3 million for the year ended 31 December 2016. The increase was primarily due to (i) the growth of sales; and (ii) the increase of income recognition of government grants and consulting service income.

Share of results of associates

The Group's 49% equity interest in Enke Medical Technology Co., Ltd. ("Enke Medical") had been accounted as interest in an associate. The Group's share of loss in Enke Medical was approximately RMB0.5 million for the year ended 31 December 2016 (2015: share of gain of approximately RMB0.1 million).

Fair value and net exchange losses on Convertible Notes

During the year ended 31 December 2016, the fair value and net exchange losses on Convertible Notes were approximately RMB110.4 million, representing an increase of approximately 68.3% as compared with the corresponding period in 2015. The fair value on Convertible Notes was determined by reference to valuation report carried out by an independent qualified professional valuer.

Finance income and finance costs

The Company earned an interest income of approximately RMB1.7 million for the year ended 31 December 2016 as compared to approximately RMB1.8 million for the corresponding period in 2015.

The finance cost representing effective interest expenses arising from the convertible notes issued to Medtronic was approximately RMB16.0 million for the year ended 31 December 2016, representing an increase of approximately 20.3% as compared with the corresponding period in 2015. Finance cost pursuant to the liability component of the convertible notes is carried at amortised cost using the effective interest method.

Income tax

Income tax increased from approximately RMB22.4 million for the year ended 31 December 2015 to approximately RMB41.2 million for the year ended 31 December 2016. The increase in the Company's income tax was primarily due to (i) the increase of profit before tax of the PRC subsidiaries, resulting from the growth of sales; and (ii) the increase of income tax for the gain on disposal of a subsidiary.

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2016 was approximately RMB145.7 million (corresponding period in 2015: net profit of approximately RMB2.4 million). The significant increase in net profit was mainly attributable to (i) the increase of sales and operating profit; (ii) the gain on disposal of 100% interest in Beijing PerMed Biomedical Engineering Co., Ltd., a wholly-owned subsidiary of the Group (for further details, please refer to the section titled "Material Acquisitions and Disposal of Subsidiaries, Associates and Joint Ventures" below).

LIQUIDITY AND FINANCIAL RESOURCES

In 2016, the Group mainly financed its operations with its own working capital, bank loan and equity funding.

The Group recorded total current assets of approximately RMB812.0 million as at 31 December 2016 (2015: approximately RMB400.9 million) and total current liabilities of approximately RMB221.1 million as at 31 December 2016 (2015: approximately RMB121.2 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.67 as at 31 December 2016 (2015: approximately 3.31).

BORROWINGS

On 8 June 2015, Lifetech Shenzhen, being one of our key operating subsidiaries in the PRC as the borrower, and China Construction Bank Co., Ltd. Shenzhen branch (the "Lender") entered into the loan agreement (the "Loan Agreement") and pledge agreement (the "Pledge Agreement"), pursuant to which the Lender agreed to lend the loan amount of RMB200 million (equivalent to approximately HK$253.6 million) to Lifetech Shenzhen, with interest rate of the benchmark interest rate commencing on the day the loan money is drawn from the bank and adjusted 10% below to 60% rise benchmark interest rate, for a term of five years subject to the terms and conditions under the Loan Agreement. Under the Loan Agreement, Lifetech Shenzhen had pledged its land use right held for own use with a net book value of approximately RMB33.3 million as at 31 December 2016 and headquarters building which is in the process of construction for the purpose of securing the bank borrowing. The mortgage procedure of the land use right was completed in August 2015 and the building mortgage application will be made upon completion of the construction. As at 31 December 2016, the bank borrowing was RMB200.0 million (2015: approximately RB48.0 million) and the interest incurred therefrom was approximately RMB8.0 million in 2016 (corresponding period in 2015: approximately RMB0.4 million).

CAPITAL STRUCTURE AND GEARING RATIO

Total equity attributable to equity holders of the Company amounted to approximately RMB867.6 million as at 31 December 2016 as compared to approximately RMB180.3 million as at 31 December 2015. As at 31 December 2016, the gearing ratio (calculated as a ratio of total borrowing consisting of convertible notes and bank borrowings to total equity) of the Group was approximately 23.0% (31 December 2015: approximately 80.6%). Such changes were primarily due to (i) the increase of cash on disposal of Beijing PerMed; and (ii) the conversion of the convertible Notes.

BUILDING CONSTRUCTION

On 19 December 2014, Lifetech Shenzhen entered into the construction contract (the "Original Construction Contract") with the China Construction Fourth Engineering Division – Third Construction & Engineering Co. (中建四局第三建築工程有限公司) (the "Contractor") pursuant to which the Contractor has agreed to undertake the construction work for the Company at an agreed contract price. For further details, please refer to the announcements of the Company dated 19 December 2014 and 29 October 2015, the circular of the Company dated 21 April 2015 and the poll results announcement of the Company dated 7 May 2015. As at 31 December 2016, the construction of the main building was completed. As at the date of this announcement, the building is in the process of decoration.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, there were no significant investments held by the Company for the year ended 31 December 2016, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at the date of this announcement.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 30 November 2016, the Company entered into a sale and purchase agreement with an independent third party (the "Purchaser"), pursuant to which the Company agreed to dispose all of its 100% equity interests held in Beijing PerMed Biomedical Engineering Co., Ltd. (北京市普惠生物醫學工程有限公司) ("Beijing PerMed"), which was a wholly owned subsidiary of the Company before completion of the disposal, to the Purchaser at a cash consideration of USD31,000,000 (approximately equivalent to RMB213,482,000) (the "Disposal"). Upon completion of the Disposal, the Group no longer has any ownership and management control over Beijing PerMed. Further details are set out in Note 13 to the consolidated financial statements in this announcement.

Save as disclosed in this announcement, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2016.

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

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

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

Save as disclosed in this announcement, the Group did not have any other contingent liabilities as of 31 December 2016.

FINANCIAL INSTRUMENT

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

On 22 December 2016, the Company received a written notice from Medtronic for the exercise of the conversion rights attaching to the first tranche of the Convertible Notes in the principal amount of HK$152,000,000 at the conversion price of HK$0.475 per Share. On 29 December 2016, the Convertible Notes were fully converted into 320,000,000 shares. For details, please refer to the announcement of the Company dated 22 December 2016.

As at 31 December 2016, save as disclosed above, the Group did not have any outstanding hedge contracts or financial derivative instruments.

CAPITAL EXPENDITURE

For the year ended 31 December 2016, the capital expenditure of the Group for property, plant and equipment (the "PPE"), construction in progress, intangible assets, prepaid lease payments and deposits for PPE amounted to approximately RMB120.6 million (31 December 2015: approximately RMB246.0 million).

FOREIGN EXCHANGE RISK

During the year ended 31 December 2016, the Group's operations were primarily based in the PRC and India. The revenue derived from India accounted for approximately 6.3% (2015: approximately 6.9%) of the total revenue of the Group. The financial statements of Lifetech Scientific India Private Limited, our sole subsidiary in India are presented in Renminbi, and in the Group a portion of the revenue and expenses are denominated in US Dollars and Euro. In addition, the Convertible Notes issued by the Company were in HK Dollars and were exchanged into Renminbi. As there were currency fluctuations among Indian Rupees, HK Dollars, US Dollars and Euro during the year, and the Group's operational results and financial condition may be affected by changes in the exchange rates of Renminbi against India Rupees, HK Dollars, US Dollars and Euro. To minimize exposure to foreign exchange risk, most of the bank deposits of the Group are being kept in Renminbi. The Directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

CHARGES ON GROUP ASSETS

As at 31 December 2016, the Group had, under the Loan Agreement, pledged its land use right held for own use with a net book value of approximately RMB33.3 million and headquarters building in Shenzhen which is in the process of construction for the purpose of securing the bank borrowing.

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

CAPITAL COMMITMENT

As at 31 December 2016, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB54.1 million (2015: approximately RMB132.5 million).

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from: (i) structural heart diseases business; (ii) peripheral vascular diseases business; and (iii) cardiac pacing and electrophysiology business. Financial information related to these aspects is presented in Note 3 to the consolidated financial statements in this announcement.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group had 596 (2015: 557) full time employees and three executive Directors (2015: two). Total staff costs, including Directors' emoluments, amounted to approximately RMB101.1 million for the year 2016 (2015: approximately RMB93.0 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. In 2016, the amount of contributions to retirement benefits scheme was approximately RMB 8.0 million (2015: approximately RMB6.7 million). Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used by the Group to reduce the existing level of contributions.

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

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

The Company believes that direct and effective communication is essential to build up a good relationship between management and employees. Workers congress is one of the important ways of communication. In addition to newsletters and communications through the intranet and suggestion box, the Company holds regular meetings and forums to brief employees on Company's development and to obtain their feedback and suggestions.

FUTURE PROSPECTS

The Group will continue to strive increase the revenue in the year 2017 by relying on its two core businesses, namely structural heart diseases business and peripheral vascular diseases business.

We also believe that the revolutionary LAmbre™ LAA occluder will strengthen our leading position in the field of structural heart diseases business. Our LAmbre™ LAA occluder is experiencing more and more extensive penetration in the market. Furthermore, LAmbre™ LAA occluder has been approved as innovative medical devices by the CFDA, which will help accelerating its domestic registration procedure.

We will further develop and improve the performance and manufacturing craft of our existing products. We have extensive R&D activities aimed at developing new generation of our existing products and new products.

We will continue establishing a positive image of the Lifetech brand through a series of academic activities and further expanding our market share by focusing on further diversification of our product pipeline and smooth integration of domestic and overseas market resources. We believe that we are capable of expanding our business and achieving revenue growth in China, Europe and other international markets.

With the management team's vision and mission and the efforts of loyal employees, the management of the Group is confident that we are competent to meet the challenges and to grasp the opportunities in the forthcoming years. We are well equipped and are ready to mark another milestone.

STRATEGIC COOPERATION WITH MEDTRONIC

To expand the alliance to include pacemaker and cardiac lead products to be manufactured and commercialised for the PRC market, The Group had entered into the New Transaction Agreements on 25 July 2014.

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

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

ENVIRONMENT AND SUSTAINABILITY

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

For further details and related data analysis on the environmental, social performance of the Group, please refer to our 2016 Environmental, Social and Governance Report which will be published as a separate report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

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

During the year ended 31 December 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2016 and save as disclosed in the Prospectus, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

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

The undertakings and covenants stipulated under the Non-Competition Deed cover any business which involves the business of the Group as described in the Prospectus and any other business from time to time conducted by any member of the Group in Hong Kong, the PRC and such other parts of the world where by any of the Group carries on business from time to time. The Non-Competition Deed shall automatically terminate on the date when the Covenantors cease to be the controlling shareholders (as defined in the Listing Rules) of the Company.

As the aggregate shareholding in the Company's shares for the Covenantors fell below 30% since the commencement of 2016 and the Covenantors were no longer the controlling shareholders of the Company, the Non-Competition Deed terminated automatically and ceased to be effective in 2016.

BANK BORROWINGS

The Group has recorded bank borrowings of RMB200.0 million as at 31 December 2016 (2015: approximately RMB48.0 million).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conducts for dealings by Directors in the listed securities of the Company. Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standard as set out in the Model Code during the year ended 31 December 2016.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2016.

CORPORATE GOVERNANCE

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

AUDITORS

The consolidated financial statements in this announcement have been audited by Deloitte Touche Tohmatsu. There has been no change in the auditors of the Company during the year ended 31 December 2016. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditors of the Company.

FINAL DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

ANNUAL GENERAL MEETING

The 2017 annual general meeting of the Company (the "2017 Annual General Meeting") will be held on Friday, 26 May 2017 .

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2017 Annual General Meeting, the register of members of the Company will be closed from Tuesday, 23 May 2017 to Friday, 26 May 2017, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:30 p.m. on Monday, 22 May 2017.

AUDIT COMMITTEE REVIEW

The Group's audited annual results for the year ended 31 December 2016 have been reviewed by the audit committee of the Company, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

SCOPE OF WORK OF DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, condensed consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2016 as set out in this results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This preliminary results announcement will be posted on the website of Hong Kong Exchanges and Clearing Limited (http://www.hkexnews.hk) and the website of the Company (http://www.lifetechmed.com). The annual report for the financial year will be despatched to the shareholders of the Company and available on the same websites in due course.

By Order of the Board
LifeTech Scientific Corporation
XIE Yuehui
Executive Director, Chairman
and Chief Executive Officer

Hong Kong, 24 March 2017

As at the date of this announcement, the Board comprises Mr. XIE Yuehui, Mr. LIU Jianxiong and Ms. XIAO Ying being executive Directors; Mr. MONAGHAN Shawn Del, Mr. JIANG Feng and Mr. CLEARY Christopher Michael being non-executive Directors; and Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming being independent non-executive Directors.