LifeTech Scientific Corporation

先 健 科 技 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302

2017

INTERIM REPORT

CONTENTS

INTERIM REPORT

2017

CORPORATE INFORMATION

EXECUTIVE DIRECTORS
XIE Yuehui
(Chairman and Chief Executive Officer)
LIU Jianxiong
(Chief Financial Officer and Company Secretary)
XIAO Ying

NON-EXECUTIVE DIRECTORS
CLEARY Christopher Michael
MONAGHAN Shawn Del
JIANG 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)*
CLEARY Christopher Michael
LIANG Hsien Tse Joseph

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

WEBSITE
www.lifetechmed.com

STOCK CODE
1302

LISTING DATE ON THE GROWTH ENTERPRISE MARKET
10 November 2011

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

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

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

HONG KONG LEGAL ADVISER

Tiang & Co.
Room 2010, 20/F, Edinburgh Tower
The Landmark
15 Queen's Road, Central
Hong Kong

AUDITOR

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

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 309
Ugland House
Grand Cayman, KY1-1104, Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS

Cybio Electronic Building, Langshan 2nd Street
North Area of High-tech Park, Nanshan District
Shenzhen 518057, PRC

PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE HONG KONG COMPANIES ORDINANCE

31/F, 148 Electric Road
North Point,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman, KY1-1102
Cayman Islands

FINANCIAL HIGHLIGHTS

The board (the "Board") of directors (the "Directors", each a "Director") of LifeTech Scientific Corporation (the "Company" or "Lifetech") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016.

	Six months ended 30 June		
	2017 **RMB'000**	2016 RMB'000	Change
Revenue	**175,896**	156,221	12.6%
Gross profit	**140,994**	123,854	13.8%
Operating profit	**91,153**	58,058	57.0%
Profit for the period	**84,187**	51,900	62.2%
Profit for the period attributable to owners of the Company	**84,204**	51,870	62.3%
Earnings per share			
– Basic (RMB)	**0.019**	0.013	46.2%
– Diluted (RMB)	**0.019**	0.011	72.7%

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.

First-half performances

Facing with the uncertain global economic environment and continuous competition in the market, coupled with revolution of medical devices bidding process in the People's Republic of China ("China" or "PRC") and more stringent price regulation, our business was full of challenges during the six months ended 30 June 2017. China is still our largest market, and sales generated from the Chinese market accounted for approximately 78.4% of our total revenue for the six months ended 30 June 2017 (corresponding period in 2016: approximately 80.0%). Our domestic sales experienced a steady growth of approximately 10.3% for the six months ended 30 June 2017 as compared to the corresponding period in 2016. Our international market experienced a growth of approximately 21.6% in sales revenue for the six months ended 30 June 2017 as compared to the corresponding period in 2016, which was mainly attributable to the successful strategic adjustment in some regions and promotion. During the six months ended 30 June 2017, we have adopted a series of practical and effective measures in order to maintain our business growth and market share.

Marketing activity

During the six months ended 30 June 2017, we continuously strengthen the distribution system by choosing quality distributors, and have formed a fantastic product distribution line, of which the Company has made solid steps toward reaching out to new consumers and markets.

- In January 2017, Leipzig Interventional Course, a high-end international academic conference in peripheral vascular field, was held in Leipzig, Germany. Lifetech was invited to attend the academic event as one of the few Chinese enterprises. In the conference, a TEVAR live case performed by famous doctors from University Hospital Leipzig using Lifetech's Ankura™ Thoracic Stent Graft System, and with a leading expert in cardiovascular field from Greece, providing guidance and advice for the procedure. The procedure was very successful. Experts highly appraised the live case, adding that it marked a milestone for Lifetech in the international cardiovascular intervention market.

- On 14 February, 2017, Lifetech together with Philippines Heart Foundation, a Philippines charitable organization, held a charitable treatment activity at the Philippines General Hospital, where six children with a congenital heart defect ("CHD") received congenital heart disease occlusions. All procedures were closed by Lifetech's occluders, including three for patent ductus arteriosus and three for ventricular septal defect ("VSD"). To raise public awareness and support children with CHD in the Philippines, Philippines Heart Foundation, Philippines General Hospital and Lifetech jointly named 14 February as the "Fix Broken Heart Day", and expressed their commitment to continue giving help and supporting children with the disease.

- In March 2017, Lifetech participated in a charitable project which was founded by NU SKIN Group. Volunteers from the foundation, Lifetech and the West China Second University Hospital went to the Aba prefecture in Sichuan province to conduct two and a half day congenital heart defect screening activities. A total of 1,884 children were screened with 158 cases having complete echocardiography. During the preliminary screening, 27 children showed signs of congenital heart defect, and were sent to the West China Second University Hospital for further diagnosis.

- In March 2017, Lifetech and Canadian pediatric cardiologist jointly organised a VSD Workshop ("Workshop"). During the Workshop, a procedure was performed on a 4-year-old boy who was diagnosed to develop multi-VSD with membranous aneurysm after his birth. At present, none of the occluders registered in Canada is suitable to complete multi-VSD closure by applying only one device. Saint Justine Hospital assisted in completing the procedures for legal use in Canada of Lifetech's Cera™ membranous VSD asymmetric occluder, which was perfectly suited for the child's condition. The challenging case was completed very successfully. Additionally, pediatric cardiologist of Saint Justine Hospital also applied Cera™ VSD occluders in other five VSD closure cases in the Workshop. This is the first time for Lifetech to enter the North American market, which is a great progress for Lifetech's global market expansion.

- In the first half of 2017, as a leading supplier of minimally invasive interventional medical devices for the treatment of cardiovascular diseases, Lifetech was invited to a number of international conferences. In March, Catheter Interventions in Congenital, Structural and Valvular Heart Disease ("CSI") Asia Pacific 2017 was held in Bangkok, Thailand. In April, CSI Dubai 2017 was held in Dubai, UAE. In May, the 6th Iranian Congress of Pediatric Cardiology ("ISPC") 2017 took place in Teheran, Iran. In June, CSI Frankfurt was held in Frankfurt, Germany. During the conferences, Lifetech organized satellite symposiums and invited famous experts to give lectures and presentations. Together with the live cases broadcasting, the lecturers and experts shared their experience of using Lifetech's LAmbre™ left atrial appendage ("LAA") occluder ("LAmbre™ LAA occluder"), KONAR-MF™ multifunctional occluder and CeraFlex™ occluder, and they spoke highly of the occluders' innovative design and excellent performance.

- Lifetech Knowledge Exchange Program ("LKEP") continued promoting the spread of cutting-edge science in minimally invasive surgery of cardiovascular intervention, with the aim to improve the treatment skills of the doctors and thereby allowing more patients to receive safer and effective treatment. As at 30 June 2017, Lifetech held 44 LKEP academic exchange programs in China, Greece, Turkey, Russia, Kazakhstan, Indonesia, Thailand, Malaysia, Argentina and other countries, involving over 270 experts from different countries. 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, jointly promote the development of medical technology in the field of minimally invasive cardiovascular intervention around the world.

OUR PRODUCTS

During the six months ended 30 June 2017 and as at the date of this interim report, we have made the following achievements in our products:

- LAmbre™ LAA occluder was granted with registration certificate by China Food and Drug Administration ("CFDA"). So, LAmbre™ LAA occluder became the only LAA closure product from a Chinese brand to obtain such certification.
- LawMax™ dilator was approved by CFDA and has obtained its registration certificate in China.
- Iliac bifurcation stent graft system has passed the special review application of CFDA and been approved as an innovative medical devices. This shows that priority will be given to this product for its technical review and subsequent administrative approval, which will help accelerate its domestic registration procedure. At present, six products of the Company have been approved as innovative medical devices by the CFDA.
- Four models of implantable cardiac pacing lead have obtained its registration certificate in China. The four models of pacing lead will be used with the HeartTone™ implantable pacemaker ("HeartTone™ pacemaker").
- The animal study of HeartTone™ pacemaker was completed and the registration application was submitted to CFDA.

FINANCIAL REVIEW

OVERVIEW

Facing a challenging environment with fierce competitions in the medical device market, the revenue of the Company has maintained a steady growth for the six months ended 30 June 2017. With the LAmbre™ LAA occluder system launched in European and Chinese market, we are confident of the further growth in our business. Furthermore, with successful research and development of more new products and globalisation strategy, we aim at bringing our innovations, technologies and services to millions of global patients and becoming a leading global enterprise.

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

REVENUE

Our revenue was approximately RMB175.9 million for the six months ended 30 June 2017, with an increase of approximately RMB19.7 million or approximately 12.6% as compared to the revenue of approximately RMB156.2 million for the six months ended 30 June 2016. The increase was primarily attributable to the increase of revenue from the structural heart diseases business.

Revenue from structural heart diseases business

The turnover contributed by the structural heart diseases business for the six months ended 30 June 2017 was approximately RMB62.6 million (corresponding period in 2016: approximately RMB47.0 million), representing an increase of approximately 33.2%, which was mainly attributable to the substantial increase in the sales of Cera occluders and steady increase in the sales of HeartR occluders.

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 RMB2.9 million for the six months ended 30 June 2017 (corresponding period in 2016: Nil).

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the six months ended 30 June 2017 was approximately RMB113.3 million (corresponding period in 2016: approximately RMB109.2 million), representing a growth of approximately 3.8%, which was mainly attributable to the steady increase in the sales of stent grafts.

As at the date of this interim report, 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 13.8% from approximately RMB123.9 million for the six months ended 30 June 2016 to approximately RMB141.0 million for the six months ended 30 June 2017. Gross profit margin increased approximately 0.9% from approximately 79.3% for the six months ended 30 June 2016 to approximately 80.2% for the six months ended 30 June 2017, which was mainly attributable to the improvement of manufacturing technique and portfolio changes of products sold.

OTHER INCOME AND OTHER GAINS

Other income and other gains increased from RMB10.3 million for the six months ended 30 June 2016 to approximately RMB33.5 million for the six months ended 30 June 2017. The increase was mainly attributable to the increase of consulting service income.

Pursuant to a consulting agreement signed between the Group and an independent third party, the purchaser of Beijing PerMed Biomedical Engineering Co., Ltd. (the"Purchaser"), the Group is engaged to provide consulting services to the Purchaser for a period of 12 months since December of 2016 at a consideration of USD8.0 million (approximately RMB55.4 million). During the six months ended 30 June 2017, the Group recognised approximately RMB27.7 million as other income upon the services.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 12.6% from approximately RMB27.8 million for the six months ended 30 June 2016 to approximately RMB31.3 million for the six months ended 30 June 2017. The increase was primarily due to (i) an increase of marketing expenses and travel expenses; and (ii) an increase of royalty fee paid and payable to Medtronic, Inc and its affiliates ("Medtronic").

ADMINISTRATIVE EXPENSES

Administrative expenses increased by approximately 10.6% from approximately RMB22.7 million for the six months ended 30 June 2016 to approximately RMB25.1 million for the six months ended 30 June 2017. The increase was primarily due to (i) an increase of staff costs; and (ii) an increase of rental and property management expenses.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses increased by approximately 5.9% from approximately RMB25.5 million for the six months ended 30 June 2016 to approximately RMB27.0 million for the six months ended 30 June 2017. In addition, during the current period, approximately RMB18.0 million (corresponding period in 2016: approximately RMB13.6 million) was capitalised in development expenditure. Considering such capitalised expenditure, research and development cost increased by approximately 15.1% from approximately RMB39.1 million for the six months ended 30 June 2016 to approximately RMB45.0 million for the six months ended 30 June 2017. The increase was primarily due to (i) a higher expenditure in developing projects; and (ii) an increase of salary, bonus and related expenses for staff in research and development department.

OPERATING PROFIT

During the six months ended 30 June 2017, we recorded an operating profit of approximately RMB91.2 million, which represented an increase of approximately 57.0% as compared to the operating profit of approximately RMB58.1 million for the six months ended 30 June 2016. Such increase was primarily due to (i) the growth of sales revenue; and (ii) increase of other income and other gains resulting from consulting service.

FAIR VALUE GAIN ON CONVERTIBLE NOTES

During the six months ended 30 June 2017, no fair value gain or loss on the first tranche convertible notes issued to Medtronic ("Convertible Notes") was recognised, as the Convertible Notes were fully converted into 320,000,000 shares of the Company on 29 December 2016.

During the six months ended 30 June 2016, the fair value gain on Convertible Notes was approximately RMB20.2 million. The fair values were determined by reference to a valuation report carried out by an independent qualified professional valuer.

FINANCE INCOME AND FINANCE COSTS

Finance income increased by approximately 71.4% from approximately RMB0.7 million for the six months ended 30 June 2016 to approximately RMB1.2 million for the six months ended 30 June 2017.

During the six months ended 30 June 2017, no finance costs were recognised as the Convertible Notes were fully converted into 320,000,000 shares of the Company on 29 December 2016.

During the six months ended 30 June 2016, finance costs were approximately RMB8.0 million, representing the effective interest expenses arising from the Convertible Notes.

INCOME TAX

Income tax decreased from approximately RMB11.2 million for the six months ended 30 June 2016 to approximately RMB8.3 million for the six months ended 30 June 2017. The decrease was primarily due to the recognition of deferred income tax which generates from unrealised profit as a result of different corporate income tax rates.

NET PROFIT

Net profit attributable to owners of the Company for the six months ended 30 June 2017 was approximately RMB84.2 million, as compared with a net profit of approximately RMB51.9 million for the six months ended 30 June 2016. The profit was mainly attributable to the growth in revenue, the increase of other income and other gains.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2017, the Group mainly financed its operations with its own working capital, bank borrowings and equity funding.

As at 30 June 2017, the Group had net current assets of approximately RMB571.5 million (31 December 2016: approximately RMB590.9 million), including cash and bank balances of approximately RMB592.9 million (31 December 2016: approximately RMB645.2 million).

BORROWINGS

On 8 June 2015, Lifetech Scientific (Shenzhen) Co., Ltd. ("Lifetech Shenzhen", the "Borrower"), being one of our key operating subsidiaries in the PRC, and 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 RMB200.0 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 RMB32.8 million as at 30 June 2017 and headquarters building which is in the process of construction for the purpose of securing the bank borrowings. The mortgage procedure of the land use right was completed in August 2015, and the building mortgage application will start to conduct upon completion of the construction. As at 30 June 2017, the bank borrowings were RMB200.0 million. In July 2017, the bank borrowings were repaid in full, accordingly the mortgage of the land use right was released and the Pledge Agreement was terminated.

GEARING RATIO

As at 30 June 2017, the gearing ratio (calculated as a ratio of bank borrowings to total equity) of the Group decreased to a level of approximately 20.7%, as compared to a level of 23.0% as at 31 December 2016.

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB963.5 million as at 30 June 2017 as compared to approximately RMB867.6 million as at 31 December 2016. There were long-term bank borrowings amounting to RMB200.0 million (31 December 2016: approximately RMB200.0 million). The interest of bank borrowings for the six months ended 30 June 2017 was approximately RMB5.2 million (corresponding period in 2016: approximately RMB2.8 million). The interest of bank borrowings was capitalised in construction in progress.

LAND ACQUISITION AND BUILDING CONSTRUCTION

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

On 19 December 2014, Lifetech Shenzhen entered into the construction contract (the "original construction contract") with the China Construction Fourth Engineering Division the Third Construction & Engineering Co. (中建四局第三建築工程有限公司) (the "Contractor") pursuant to which the Contractor has agreed to undertake the construction work for the Company at 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 the date of this interim report, the Company has already obtained the property ownership certificate for the Building, the Board has decided that approximately 50% of the total gross floor area of the Building has been allocated as office premises for the Group's operational and administration purposes, and the remaining 50% of the total gross floor area has been allocated for rental to external tenants.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2017.

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 2017, nor was there any plan authorised by the Board for other material investments or additions of capital assets as at the date of this interim report.

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

The Group is currently involved in a lawsuit issue in India. AGA Medical Corporation ("AGA") filed a suit with the High Court of New Delhi (the "Court") against our companies, alleging that our occluders sold in India infringed its patent. For details, please refer to the section headed "Risk Factors-Risk Related to Intellectual Property Rights" in the prospectus of the Company dated 31 October 2011. As at 30 June 2017 and up to the date of this interim report, the recordal of evidence was completed and the final arguments are still awaited in the suit.

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

Save as disclosed in this interim report, the Group did not have any other contingent liabilities as at 30 June 2017.

FINANCIAL INSTRUMENT

During the six months ended 30 June 2017, the Group did not have or use any financial instruments for hedging purpose.

CAPITAL EXPENDITURE

For the six months ended 30 June 2017, 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 RMB69.9 million (2016: approximately RMB56.1 million).

FOREIGN EXCHANGE RISK

During the six months ended 30 June 2017, the Group's operations were primarily based in the PRC and India. The revenue derived from India accounted for approximately 5.8% (corresponding period in 2016: approximately 6.7%) 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 ("RMB"), and in the Group a portion of the revenue and expenses are denominated in US Dollar and Euro. In addition, the Convertible Notes which were issued by the Company were in HK Dollar and were exchanged into RMB. Indian Rupees, HK Dollar, US Dollar and Euro were unstable during the six months ended 30 June 2017, and the Group's operational results and financial condition may be affected by changes in the exchange rates of RMB against India Rupees, HK Dollar, US Dollar and Euro. To minimize exposure to foreign exchange risk, most of the bank deposits of the Group are being kept in RMB. The Directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the period.

CHARGES ON GROUP ASSETS

As at 30 June 2017, the Group had, under the Loan Agreement, pledged its land use right held for own use with a net book value of approximately RMB32.8 million and headquarters building which is in the process of construction for the purpose of securing the bank borrowings. In July 2017, the bank borrowings were repaid in full, accordingly the mortgage of the land use right was released and the Pledge Agreement was terminated.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had 564 (corresponding period in 2016: 608) full time employees and 3 executive Directors (corresponding period in 2016: 3). Total staff costs, including Directors' emoluments, amounted to approximately RMB42.5 million for six months ended 30 June 2017 (corresponding period in 2016: approximately RMB37.0 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 2017 was approximately RMB4.3 million (corresponding period in 2016: approximately RMB3.0 million). Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used by the Group to reduce the existing level of contributions.

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

FUTURE PROSPECTS

The Group will continue relying on its two core businesses, namely structural heart diseases business and peripheral vascular diseases business, for growth potential in the second half of 2017. The Group will also actively expand its product offering and strengthen its established market position.

Our LAmbre™ LAA occluder was granted with CE certificate in Europe in June 2016 and CFDA certificate in China in June 2017. We believe that LAmbre™ LAA occluder will strengthen our leading position in the field of structural heart diseases business.

Looking further ahead, we expect that our cardiac pacing and electrophysiology business will be significant in the future. In 2016, the pacemaker product line met the manufacturing qualification requirements with the support from Medtronic, and the HeartTone™ pacemaker was approved as an innovative medical device by the CFDA, which will help accelerating its domestic registration procedure. In the first half of 2017, we have been continuously making good progress in our pacemaker project. The animal study was completed and the registration application was submitted to CFDA.

We continuously invest in research and development to improve, upgrade and develop products in response to the demands of our various markets and customers. Our broad portfolio of products, robust product development pipeline and strong research and development capabilities provide substantial opportunities for us to grow our business and revenue through further penetration and expansion into key international markets.

We market our products through our network of distributors, train and manage our distributors, so as to establish industry best practices, identify market opportunities. Our sales and marketing team also consults directly with physicians and hospitals to ensure brands and products are well recognised and received.

Furthermore, we will continue to evaluate and explore potential acquisitions, partnerships, alliances and licensing opportunities in the second half of 2017, with an aim to enhance our competitiveness and market position in the current key markets as well as certain selective new markets.

CORPORATE GOVERNANCE HIGHLIGHTS

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interest of its shareholders (the "Shareholders") and enhance its corporate value. The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange 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 2017, save for the deviation from code provision A.2.1 of the CG Code as mentioned below.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry with all the Directors, the Company confirmed that all members of the Board complied with the Model Code during the six months ended 30 June 2017.

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 2017.

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 2017 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results was in compliance with the relevant accounting standards, the Listing Rules and the applicable legal requirements, and that adequate disclosure has been made.

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

As at 30 June 2017, 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 Director/ chief executive	Capacity	Number of shares (long position)	Approximate percentage of shareholding
Mr. XIE Yuehui	Interest of Controlled Corporation and Beneficial owner	801,514,928 [1]	18.54%
Mr. LIU Jianxiong	Beneficial owner	24,800,000 [2]	0.57%
Ms. XIAO Ying	Beneficial owner	1,272,000 [3]	0.03%

Notes:

1. These interests represented:
   (a) 781,914,928 shares held by Xianjian Advanced Technology Limited, which is wholly owned by Mr. XIE Yuehui, our chairman, chief executive officer and executive Director; and
   (b) 19,600,000 options granted to Mr. XIE Yuehui, which were subject to certain vesting conditions pursuant to the Share Option Scheme of the Company, details of which are set out in the section headed "Share Option Scheme" in this interim report.
2. These interests represented:
   (a) 8,000,000 shares held by Mr. LIU Jianxiong, our executive Director, chief financial officer and company secretary; and
   (b) 16,800,000 options granted to Mr. LIU Jianxiong, which were subject to certain vesting conditions pursuant to the Share Option Scheme of the Company, details of which are set out in the section headed "Share Option Scheme" in this interim report.
3. This interest represented 1,272,000 options granted to Ms. XIAO Ying, which were subject to certain vesting conditions pursuant to the Share Option Scheme of the Company, details of which are set out in the section headed "Share Option Scheme" in this interim report.

Save as disclosed above, as at 30 June 2017, 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 2017, 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:

(a) Long positions in shares of the Company

Name of Shareholder	Capacity	Number of shares (long position)	Approximate percentage of shareholding
Xianjian Advanced Technology Limited [1]	Beneficial owner	781,914,928	18.08%
GE Asia Pacific Investments Ltd. [2]	Beneficial owner	302,112,656	6.99%
Medtronic KL Holdings LLC [3]	Beneficial owner	1,080,000,000	24.98%
Medtronic Holding Switzerland G.m.b.H. [3]	Interest of controlled corporation	1,080,000,000	24.98%
Medtronic B.V. [3]	Interest of controlled corporation	1,080,000,000	24.98%
Medtronic International Technology, Inc. [3]	Interest of controlled corporation	1,080,000,000	24.98%
Medtronic, Inc. [3]	Interest of controlled corporation	1,080,000,000	24.98%
Medtronic Holding, Inc. [3]	Interest of controlled corporation	1,080,000,000	24.98%
Medtronic Group Holding, Inc. [3]	Interest of controlled corporation	1,080,000,000	24.98%
Medtronic plc [3]	Interest of controlled corporation	1,080,000,000	24.98%

Notes:

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

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

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

(b) Derivative interests

Name of Shareholder	Capacity	Number of shares (long position)	Approximate percentage of shareholding
Medtronic KL Holdings LLC [1 and 2]	Beneficial owner	2,708,571,432	62.64%
Medtronic Holding Switzerland G.m.b.H. [1 and 2]	Interest of controlled corporation	2,708,571,432	62.64%
Medtronic B.V. [1 and 2]	Interest of controlled corporation	2,708,571,432	62.64%
Medtronic International Technology, Inc. [1 and 2]	Interest of controlled corporation	2,708,571,432	62.64%
Medtronic, Inc. [1 and 2]	Interest of controlled corporation	2,708,571,432	62.64%
Medtronic Holding, Inc. [1 and 2]	Interest of controlled corporation	2,708,571,432	62.64%
Medtronic Group Holding, Inc. [1 and 2]	Interest of controlled corporation	2,708,571,432	62.64%
Medtronic plc [1 and 2]	Interest of controlled corporation	2,708,571,432	62.64%

Notes:

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

2. Capitalised terms used in this paragraph shall have the same meanings as those defined in the circular of the Company dated 6 January 2013. These shares are the underlying shares to be issued upon the full conversion of the Convertible Notes and the second tranche convertible notes pursuant to the terms and conditions under the Investment Agreement dated 14 October 2012. Completion of the subscription of the Convertible Notes at the principal amount of HK$152 million, which are convertible into 40,000,000 new shares at the initial conversion price of HK$3.80, took place on 30 January 2013. The convertible shares are adjusted from 40,000,000 to 320,000,000 and initial conversion price is adjusted from HK$3.80 to HK$0.475 as share subdivision of the Company became effective on 12 January 2015. On 29 December 2016, the Convertible Notes were converted fully. For further details, please refer to the announcement of the Company dated 22 December 2016. In addition, the subscription of the second tranche convertible notes is pending to be completed.

Save as disclosed above, as at 30 June 2017, 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 an unanimous written resolutions of the Board on 5 May 2015. Such amendment to the Share Option Scheme was made due to the transfer of listing of the shares from Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange and in order to ensure that the references and margin notes quoted and referred to therein are in compliance and consistent with the Listing Rules.

On 5 May 2015, an aggregate of 160,000,000 options was granted subject to certain vesting conditions pursuant to the Share Option Scheme to certain eligible participants (the "Grantees"), including grant of 19,600,000 options, 16,800,000 options and 1,590,000 options granted to three executive Directors, namely Mr. XIE Yuehui, Mr. LIU Jianxiong and Ms. XIAO Ying respectively. As at 30 June 2017, 47,567,600 options granted pursuant to the Share Option Scheme have been vested and remain exercisable.

The table below sets out details of the outstanding options granted to the Directors and other Grantees under the Share Option Scheme and movements during the six months ended 30 June 2017:

					Number of shares				
Name	Date of Grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 1/1/2017	Exercised during the six months ended 30/06/2017	Cancelled/ Lapsed during the six months ended 30/06/2017	Outstanding as at 30/06/2017
Directors/chief executive									
Mr. XIE Yuehui	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	19,600,000	19,600,000	–	–	19,600,000
Mr. LIU Jianxiong	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	16,800,000	16,800,000	–	–	16,800,000
Ms. XIAO Ying	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	1,590,000	1,590,000	(318,000)	–	1,272,000
Other Grantees									
Aggregate of other Grantees	5/5/2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	122,010,000	92,032,400	(3,153,200)	(9,170,800)	79,708,400
Total					160,000,000	130,022,400	(3,471,200)	(9,170,800)	117,380,400

INTERIM DIVIDEND

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2017 (corresponding period in 2016: 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 2017 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 2017, there were no purchases, 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 2017.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2017 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, 25 August 2017

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2017 together with the comparative figures for the corresponding period in 2016 and the relevant explanatory notes as set out below.

		Six months ended 30 June	
	NOTES	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Revenue	4	175,896	156,221
Cost of sales		(34,902)	(32,367)
Gross profit		140,994	123,854
Other income and other gains and losses		33,514	10,321
Selling and distribution expenses		(31,284)	(27,838)
Administration expenses		(25,050)	(22,730)
Research and development expenses		(27,021)	(25,549)
Operating profit		91,153	58,058
Finance income		1,210	674
Finance costs		—	(8,003)
Finance income (costs), net		1,210	(7,329)
Share of results of an associate		78	—
Net exchange loss on convertible notes	15	—	(7,783)
Fair value gain on convertible notes	15	—	20,199
Profit before tax	5	92,441	63,145
Income tax expense	6	(8,254)	(11,245)
Profit for the period		84,187	51,900
Other comprehensive expense:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation foreign operations		(1,045)	(737)
Other comprehensive expense for the period		(1,045)	(737)
Total comprehensive income for the period		83,142	51,163
Profit for the period attributable to:			
Owners of the Company		84,204	51,870
Non-controlling interests		(17)	30
		84,187	51,900
Total comprehensive income attributable to:			
Owners of the Company		83,159	51,133
Non-controlling interests		(17)	30
		83,142	51,163
Earnings per share	8		
– Basic (RMB)		0.019	0.013
– Diluted (RMB)		0.019	0.011

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	NOTES	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	411,486	334,736
Investment properties		1,508	1,547
Intangible assets	9	136,001	110,693
Prepaid lease payments	10	31,554	31,987
Deposits for acquisition of property, plant and equipment		9,274	13,615
Deferred tax assets		22,176	18,153
Interests in associates	11	1,122	1,044
Other receivables		—	6,300
		613,121	518,075
Current assets			
Inventories		43,606	40,350
Trade receivables	12	69,837	83,421
Other receivables and prepayments		40,129	41,743
Prepaid lease payments	10	1,271	1,271
Bank balances and cash		592,941	645,208
		747,784	811,993
Current liabilities			
Trade and other payables	13	121,106	157,814
Tax payables		15,200	43,303
Bank borrowings due within one year		40,000	20,000
		176,306	221,117
Net current assets		571,478	590,876
Total assets less current liabilities		1,184,599	1,108,951
Non-current liabilities			
Government grants	14	58,148	58,356
Bank borrowings due after one year		160,000	180,000
		218,148	238,356
Net assets		966,451	870,595
Capital and reserves			
Share capital	16	35	35
Share premium and reserves		963,455	867,582
Equity attributable to owners of the Company		963,490	867,617
Non-controlling interests		2,961	2,978
Total equity		966,451	870,595

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Share option reserve RMB'000	Accumulated profit (losses) RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2016	32	251,593	2,471	44,582	–	32,531	26,137	(177,093)	180,253	21	180,274
Profit for the period	–	–	–	–	–	–	–	51,870	51,870	30	51,900
Other comprehensive expense for the period	–	–	(737)	–	–	–	–	–	(737)	–	(737)
Total comprehensive income (expense) for the period	–	–	(737)	–	–	–	–	51,870	51,133	30	51,163
Dividend paid to non-controlling interests										(5)	(5)
Contribution from non-controlling interest of a subsidiary (Note iii)	–	–	–	–	–	–	–	–	–	2,412	2,412
Recognition of equity-settled share-based payments	–	–	–	–	–	–	15,920	–	15,920	–	15,920
Appropriations	–	–	–	55	–	–	–	(55)	–	–	–
At 30 June 2016 (unaudited)	32	251,593	1,734	44,637	–	32,531	42,057	(125,278)	247,306	2,458	249,764
At 1 January 2017	35	768,255	1,379	50,058	(3)	32,531	51,873	(36,511)	867,617	2,978	870,595
Profit for the period	–	–	–	–	–	–	–	84,204	84,204	(17)	84,187
Other comprehensive expense for the period	–	–	(1,045)	–	–	–	–	–	(1,045)	–	(1,045)
Total comprehensive income (expense) for the period	–	–	(1,045)	–	–	–	–	84,204	83,159	(17)	83,142
Recognition of equity-settled share-based payments	–	–	–	–	–	–	8,215	–	8,215	–	8,215
Exercise of share options		6,987					(2,488)		4,499		4,499
At 30 June 2017 (unaudited)	35	775,242	334	50,058	(3)	32,531	57,600	47,693	963,490	2,961	966,451

Notes:

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

(ii) Contribution reserve represents the difference between the fair value of the consideration paid for the acquisition of Lifetech Shenzhen from shareholders and the carrying amount of the share of net assets acquired in August 2006 and it is regarded as a deemed contribution from shareholders under merger accounting.

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	22,744	13,439
INVESTING ACTIVITIES		
Deposits paid for and purchase of property, plant and equipment	(55,204)	(44,572)
Expenditure incurred and capitalised as intangible assets	(23,941)	(11,505)
Government grants received for acquisition of plant and equipment	660	—
Proceeds from disposal of property, plant and equipment	20	387
NET CASH USED IN INVESTING ACTIVITIES	(78,465)	(55,690)
FINANCING ACTIVITIES		
Bank borrowings raised	—	151,977
Contribution from non-controlling interests of a subsidiary	—	2,412
Dividend paid to non-controlling interests	—	(5)
Acquisition of interest in a subsidiary	—	512
Proceeds from issue of shares upon exercise of share options	4,499	—
NET CASH FROM FINANCING ACTIVITIES	4,499	154,896
NET INCREASE IN CASH AND CASH EQUIVALENTS	(51,222)	112,645
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	645,208	255,110
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(1,045)	(737)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	592,941	367,018

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2017

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of the Group are development, manufacture 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 condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 of the Listing Rules.

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies used in the condensed consolidated financial statements for the six months ended 30 June 2017 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

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

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

4. SEGMENT INFORMATION

The segment information reported internally was analysed on the basis of their products supplied by the Group's operating divisions which is consistent with the internal information that is regularly reviewed by executive Directors of the Company, the chief operating decision makers, 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, is focused on the congenital heart diseases business, peripheral vascular diseases business and surgical vascular repair business. In the second half of 2016, the Directors reconsidered 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 the corresponding period in 2016 have been combined as structural heart diseases business this period.

- Peripheral vascular diseases business: trade, manufacture, research and development of devices related to peripheral vascular diseases. This segment is consistent with the presentation of the corresponding period in 2016 and no change has been made in this period.

- Cardiac pacing and electrophysiology business: trade, manufacture, research and development of devices related to cardiac pacing and electrophysiology. This segment is newly identified in the second half of 2016.

Information regarding the above segments is reported below.

4. SEGMENT INFORMATION - *continued*

(a) Segment revenue and results

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

For six months ended 30 June 2017

	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	62,603	113,293	—	175,896
Segment profit	49,045	91,949	—	140,994
Unallocated income				
– Other income and other gains and losses				33,514
– Share of results of an associate				78
– Finance income				1,210
Unallocated expense				
– Selling and distribution expenses				(31,284)
– Administration expenses				(25,050)
– Research and development expenses				(27,021)
Profit before tax				92,441

4. SEGMENT INFORMATION - *continued*

(a) Segment revenue and results – *continued*

For six months ended 30 June 2016 (restated)

	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	46,991	109,230	—	156,221
Segment profit	35,106	88,748	—	123,854
Unallocated income				
– Other income and other gains and losses				10,321
– Fair value gain on convertible notes				20,199
– Finance income				674
Unallocated expense				
– Selling and distribution expenses				(27,838)
– Administration expenses				(22,730)
– Research and development expenses				(25,549)
– Finance costs				(8,003)
– Net exchange loss on convertible notes				(7,783)
Profit before tax				63,145

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 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	207,553	185,195
Peripheral vascular diseases business	428,115	372,262
Cardiac pacing and electrophysiology business	99,977	91,421
Total segment assets	735,645	648,878
Unallocated assets		
Property, plant and equipment	1,338	1,419
Investment properties	1,508	1,547
Deferred tax assets	22,176	18,153
Interests in associates	1,122	1,044
Other receivables and prepayments	6,175	13,819
Bank balances and cash	592,941	645,208
Consolidated assets	1,360,905	1,330,068

4. SEGMENT INFORMATION - *continued*

(b) Segment assets and liabilities - *continued*

Segment liabilities

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	5,854	9,899
Peripheral vascular diseases business	10,856	12,243
Cardiac pacing and electrophysiology business	3,185	9,968
Total segment liabilities	19,895	32,110
Unallocated liabilities		
Other payables	99,506	124,014
Tax payables	15,200	43,303
Government grants	59,853	60,046
Bank borrowings due within one year	40,000	20,000
Bank borrowings due after one year	160,000	180,000
Consolidated liabilities	394,454	459,473

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, certain other payables and bank borrowings.

5. PROFIT BEFORE TAX

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including Directors' remuneration		
Salaries, wages and other benefits	**47,963**	41,433
Retirement benefits scheme contributions	**4,289**	2,991
Less: capitalised in development costs	**(9,744)**	(7,446)
	42,508	36,978
Auditor's remuneration	**937**	756
Cost of inventories recognised as expenses	**34,902**	32,367
Depreciation of property, plant and equipment	**3,278**	3,841
Depreciation of investment properties	**37**	37
Amortisation charge of intangible assets	**1,813**	1,015
Release of prepaid lease payments	**636**	636
Operating lease rentals in respect of rental premises	**4,591**	4,374
Government grants	**(6,808)**	(6,472)
Interest on bank deposits	**(1,210)**	(675)
Effective interest expense on convertible notes	**—**	8,003
Gross rental income from investment properties	**(782)**	(638)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	**37**	37
	(745)	(601)

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	12,276	9,213
Deferred tax		
Current period	(4,022)	2,032
	8,254	11,245

The Company is tax exempted under the laws of the Cayman Islands. New Centre International Limited 新城市國際有限公司 and Lifetech Scientific Trading Limited 先健科技貿易有限公司, two subsidiaries of the Company, are subject to Hong Kong Profits Tax rate of 16.5% on assessable profits earned in Hong Kong. No provision for Hong Kong Profits Tax has been made for the periods ended 30 June 2017 and 2016 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 PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that one major operating subsidiary in the PRC qualified as High and New Technology Enterprises since 2009, and is entitled to a preferential income tax rate of 15%. The qualification of High and New Technology Enterprises is subject to review once every three years and the major operating subsidiary continued to be recognised as a hi-tech enterprise for the periods ended 30 June 2017 and 2016.

For other PRC subsidiaries, their applicable income tax rates are 25% for the periods ended 30 June 2017 and 2016 respectively.

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

7. DIVIDENDS

No dividends were paid, declared or proposed during the interim periods ended 30 June 2017 and 2016. The Directors did not recommend the payment of an interim dividend.

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purpose of basic earnings per share	**84,204**	51,870
Less:		
Effect of dilutive potential ordinary shares:		
Interest on convertible note	**—**	(8,003)
Exchange loss on convertible notes	**—**	(7,783)
Fair value gain on convertible notes	**—**	20,199
Earnings for the purpose of diluted earnings per share	**84,204**	47,457
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	**4,322,059**	4,000,000
Effect of dilutive potential ordinary shares: share options (in thousands)	**18,617**	—
Effect of dilutive potential ordinary shares: convertible notes (in thousands)	**—**	320,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	**4,340,676**	4,320,000

The computation of diluted earnings per share for the six months ended 30 June 2017 assumes the exercise of the Company's options.

The computation of diluted earnings per share for the six months ended 30 June 2016 does not assume the exercise of the Company's options since the average market price of the Company's share was lower than the adjusted exercise price of those options.

The weighted average number of ordinary shares for the purpose of diluted earnings for the six months ended 30 June 2017 does not assume the impact of Convertible Notes as the Convertible Notes were converted in December 2016.

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

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current period, the Group spent approximately RMB6,767,000 (six months ended 30 June 2016: approximately RMB4,195,000) for the acquisition of equipment and improvement of plant to update its manufacturing capabilities. In addition, the Group also incurred construction cost for building of approximately RMB63,204,000 (six months ended 30 June 2016: approximately RMB20,023,000), and had addition in pacemaker project with a cost of approximately RMB10,311,000 (six months ended 30 June 2016: approximately RMB13,180,000) during the six months ended 30 June 2017. Pursuant to the Loan Agreement entered into on 8 June 2015, the Group had pledged the land use right (details are set out in note 10) and the headquarters building which is in the process of construction with a carrying value approximately of RMB32,825,000 and RMB264,462,000 respectively as at 30 June 2017 for the purpose of securing bank borrowings with a carrying value of RMB200,000,000. In July 2017, the bank borrowings were repaid in full and accordingly the mortgage of the land use right was released.

During the current period, the Group incurred approximately RMB18,022,000 (six months ended 30 June 2016: approximately RMB13,648,000) of development expenditure for the development of structural heart diseases business, peripheral vascular diseases business and Cardiac pacing and electrophysiology business, which together with expenditure of approximately RMB8,674,000 (six months ended 30 June 2016: approximately RMB222,000) for purchase of intangible assets.

10. PREPAID LEASE PAYMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Analysed for reporting purposes as:		
Current asset	**1,271**	1,271
Non-current asset	**31,554**	31,987
	32,825	33,258

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

The Group had pledged its land use right held for own use with a net book value of approximately RMB32,825,000 for the purpose of securing the bank borrowings. In July 2017, the bank borrowings were repaid in full and accordingly the mortgage of the land use right was released.

11. INTERESTS IN ASSOCIATES

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Cost of investments, unlisted	1,044	1,109
Share of post-acquisition reserves	78	(65)
	1,122	1,044

As at 30 June 2017 and 31 December 2016, the Group had interest in the following associates which were established by the Group and other Shareholder:

Name of entity	Proportion of Ownership interest and voting rights held by the Group		Place of establishment/ operation	Share capital	Principal activity
	30 June 2017	31 December 2016			
Shenzhen EnKe Medical Technology Co., Ltd. ("Enke Medical") 深圳市恩科醫療科技有限公司	49%	49%	The PRC	RMB1,000,000	Trading of medical devices

12. TRADE RECEIVABLES

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
1 - 90 days	50,019	65,961
91 - 180 days	16,036	13,298
181 - 365 days	2,048	2,422
Over 365 days	1,734	1,740
	69,837	83,421

13. TRADE PAYABLES

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
0 - 30 days	2,853	4,321
31 - 60 days	1,612	2,099
61 - 120 days	1,708	1,223
Over 120 days	658	658
	6,831	8,301

14. GOVERNMENT GRANTS

Government grants include subsidies in relation to the acquisition of plant and equipment and the research and development of medical devices. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received. During the six months ended 30 June 2017, respectively approximately RMB5,955,000 and RMB660,000 subsidies related to research and development of medical devices and the acquisition of plant and equipment (30 June 2016: approximately RMB3,910,000 subsidies related to research and development of medical devices). The Group recognised income of approximately RMB6,808,000 (30 June 2016: approximately RMB6,472,000) during the six months ended 30 June 2017. The current portion of government grants, which include subsidies in relation to research and development of medical devices that have not yet been recognised in profit or loss, are included in other payables. The non-current portion of government grants, which include subsidies in relation to the acquisition of plant and equipment that have not yet been recognised in profit or loss, are included in non-current liability.

15. CONVERTIBLE NOTES

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

15. CONVERTIBLE NOTES - *continued*

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

The Convertible Notes were fully converted into 320,000,000 Shares on 29 December 2016.

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

	Liability component RMB'000	Conversion option derivative RMB'000
At 1 January 2016	97,214	296,759
Exchange realignment	2,109	5,674
Interest charge	8,003	—
Fair value gain	—	(20,199)
At 30 June 2016	107,326	282,234
Exchange realignment	5,445	18,408
Interest charge	8,029	—
Coupon interest payable	(5,377)	—
Fair value loss	—	98,955
Converted during the year	(115,423)	(399,597)
At 31 December 2016	—	—
At 30 June 2017	—	—

15. CONVERTIBLE NOTES - *continued*

The fair value of the conversion option derivative component of the Convertible Notes is estimated using a Binomial Option Pricing Model with the assumption of the movement of stock price of the Company and interest rates. The assumption adopted for the valuation of the conversion option derivative component of the Convertible Notes using Binomial Option Pricing Model as of 30 June 2016 and 29 December 2016 and 30 June 2017 was as follows:

	30 June 2017	30 June 2016	29 December 2016
Risk-free interest rate (i)	—	0.379%	0.93%
Expected volatility (ii)	—	55.88%	42.92%

Notes:

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

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

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

16. SHARE CAPITAL

	Number of shares	Amount USD
Ordinary shares		
Authorised:		
At 1 January 2016, 31 December 2016 and 30 June 2017 at USD0.00000125 each	40,000,000,000	50,000

	Number of shares	Amount USD	Shown in the condensed consolidated financial statements as RMB'000
Issued and fully paid:			
At 1 January 2016 at USD0.00000125 each	4,000,000,000	5,000	32
Exercise of share options	811,600	1	—
Conversion of Convertible Notes	320,000,000	400	3
At 31 December 2016 at USD0.00000125 each	4,320,811,600	5,401	35
Exercise of share options	3,471,200	4	—
At 30 June 2017 at USD0.00000125 each	4,324,282,800	5,405	35

17. SHARE-BASED PAYMENTS

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

On 5 May 2015, an aggregate of 160,000,000 options was granted subject to certain vesting conditions pursuant to the Share Option Scheme to Grantees. The total options are scheduled to be vested in five batches, respectively on 5 May 2016, 5 May 2017, 5 May 2018, 5 May 2019 and 5 May 2020, with 20% of total options in each batch. As at 30 June 2017, 47,567,600 options granted pursuant to the Share Option Scheme have been vested and remain exercisable.

The table below discloses movements in the Company's share options granted to the Grantees under the Share Option Scheme during the six months ended 30 June 2017:

	Number of shares subject to share options			
Types	**Outstanding at 1 January 2017**	**Exercised during the period**	**Cancelled/ Lapsed during the period**	**Outstanding at 30 June 2017**
Batch I	25,948,800	(2,408,600)	(1,600)	23,538,600
Batch II	26,018,400	(1,062,600)	(926,800)	24,029,000
Batch III	26,018,400	—	(2,394,400)	23,624,000
Batch IV	26,018,400	—	(2,924,000)	23,094,400
Batch V	26,018,400	—	(2,924,000)	23,094,400
Total	130,022,400	(3,471,200)	(9,170,800)	117,380,400
Exercisable as at 30 June 2017				47,567,600
Weighted average exercise price				HK$1.464

17. SHARE-BASED PAYMENTS - *continued*

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

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

Notes:

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

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

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

For the six months ended 30 June 2017, the Group recognised approximately RMB7,533,000 (2016: approximately RMB12,306,000) share-based payment expenses in profit or loss. In addition, approximately RMB1,453,000 (2016: approximately RMB3,614,000) was capitalised in development costs and inventories.

18. OPERATING LEASES

The Group as lessee

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	6,530	7,868
In the second to fifth years inclusive	3,161	2,168
	9,691	10,036

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

The Group as lessor

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Within one year	602	1,285
In the second to fifth years inclusive	—	—
	602	1,285

19. CAPITAL COMMITMENTS

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 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	20,022	54,061

20. RELATED PARTY DISCLOSURES

(a) Transactions and trade balances

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

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Amount due to an associate:		
Enke Medical	60	147
Amount due to a Shareholder:		
Medtronic	13,003	24,045

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

	Six months ended 30 June	
Nature of transactions	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)
Pacemaker project consulting fee paid and payable to Medtronic	3,792	6,720
Royalty fee paid and payable to Medtronic	3,406	2,619
Purchase of goods from Medtronic	917	—
Revenue from sales of goods to Enke Medical	74	361

(b) Non-trade balances

	30 June 2017 RMB'000 (Unaudited)	31 December 2016 RMB'000 (Audited)
Amount due to a Shareholder[1]:		
Medtronic	1,843	5,377

1. Coupon interest payable relating to Convertible Notes.

21. RELATED PARTY DISCLOSURES - *continued*

(c) Compensation of key management personnel

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

	Six months ended 30 June	
	2017	2016
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**4,476**	3,451
Post-employment benefits	**138**	96
	4,614	3,547

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

22. CONTINGENT LIABILITIES

The Group is currently involved in a litigation in India. In 2008, a company (the "Plaintiff") filed a suit with The High Court of New Delhi (the "Court") at New Delhi, India, against (i) Lifetech Shenzhen; (ii) Lifetech Shenzhen's importer in India; and (iii) such importer's local Indian distributor (individually and collectively referred to as "Defendants"). The Plaintiff pleaded to the Court to issue a permanent injunction restraining the Defendants from importing and selling HeartR occluders in India which were accused of infringing the Plaintiff's patent. The Plaintiff also pleaded to order the national importer in India and its local Indian distributor to surrender all the rendition of accounts of profits or a decree of damages of Indian Rupee ("INR") 2,100,000 (equivalent to approximately RMB220,000). As at 30 June 2017 and up to the date of the issue of these condensed consolidated financial statements, the recordal of evidence was completed and the final arguments are still awaited in the suit.

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