2019
ANNUAL REPORT

LifeTech Scientific Corporation
先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302

CONTENTS

CORPORATE INFORMATION

As at 30 March 2020

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

JIANG Feng
FU Feng (appointed on 28 August 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

COMPANY SECRETARY

LIU Jianxiong

AUTHORIZED REPRESENTATIVES

XIE Yuehui
LIU Jianxiong

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

WANG Wansong *(Chairman)*
XIE Yuehui
LIANG Hsien Tse Joseph

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.lifetechmed.com

STOCK CODE

1302

LISTING DATE ON THE GROWTH ENTERPRISE MARKET

10 November 2011

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

6 November 2013

PRINCIPAL BANKERS

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

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

CORPORATE INFORMATION

As at 30 March 2020

HONG KONG LEGAL ADVISOR

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

AUDITOR

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

REGISTERED OFFICE IN CAYMAN ISLANDS

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

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS

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

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

31/F, 148 Electric Road
North Point
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

FINANCIAL SUMMARY

FINANCIAL SUMMARY

	Year ended 31 December		
	2019 RMB'000	2018 RMB'000	Change
Revenue	**668,879**	556,698	20.2%
Gross profit	**534,820**	455,021	17.5%
Operating profit	**188,755**	164,189	15.0%
Profit before tax	**170,811**	167,188	2.2%
Profit for the year attributable to owners of the Company	**129,200**	121,082	6.7%
Earnings per share			
– Basic	**RMB3.1 cents**	RMB2.8 cents	10.7%
– Diluted	**RMB3.1 cents**	RMB2.8 cents	10.7%

FIVE YEARS' FINANCIAL SUMMARY

	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000	2015 RMB'000
Revenue	**668,879**	556,698	409,125	352,849	311,606
Profit for the year	**127,164**	121,353	163,574	145,710	4,025
Assets					
Non-current assets	**1,166,425**	953,147	662,891	518,075	400,940
Current assets	**605,801**	577,985	606,866	811,993	400,947
Total assets	**1,772,226**	1,531,132	1,269,757	1,330,068	801,887
Liabilities					
Current liabilities	**341,223**	208,271	156,480	221,117	121,188
Non-current liabilities	**269,341**	78,971	57,311	238,356	500,425
Total liabilities	**610,564**	287,242	213,791	459,473	621,613
Total equity	**1,161,662**	1,243,890	1,055,966	870,595	180,274

CHAIRMAN'S STATEMENT

Dear shareholders,

For and on behalf of the board (the "Board") of directors (the "Directors", each a "Director") of LifeTech Scientific Corporation (the "Company" or "Lifetech"), I am pleased to present the annual report of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2019.

FINANCIAL REVIEW

I am pleased to announce that the Group has achieved a continuing growth in sales for the year ended 31 December 2019. Revenue of the Group was approximately RMB668.9 million for the year ended 31 December 2019 in comparison with approximately RMB556.7 million for the corresponding period of 2018, representing a steady growth of approximately 20.2%. Gross profit was approximately RMB534.8 million for the year 2019 in comparison with approximately RMB455.0 million in 2018, representing a growth of approximately 17.5%. The increase in revenue was mainly attributable to the growth of sales volume of our primary products along with the expansion of our sales network, higher market penetration and increasing market share.

Net profit attributable to owners of the Company for the year ended 31 December 2019, excluding certain non-recurring items, was approximately RMB254.6 million as compared to the net profit amounting to approximately RMB196.1 million in 2018, representing an increase of approximately 29.8%. Such non-recurring items include (i) approximately RMB13.9 million of the income tax generated by Lifetech Scientific (Shenzhen) Co., Ltd ("Lifetech Shenzhen") allocating profits to the parent company in 2018; and (ii) the share-based payment expenses were approximately RMB125.4 million for the year 2019 in comparison with approximately RMB61.1 million in 2018, increased by approximately RMB64.3 million. On 31 December 2019, the Group cancelled share options granted on 10 May 2018 and 29 August 2018, and the Group is promoting other more effective incentives in order to better stimulate and retain talents. The cancellation was accounted for as an acceleration of vesting and recognised immediately the expenses that otherwise would have been recognised over the remainder of the vesting period. Considering the influence arose therefrom, the Company have recorded net profit attributable to owners of the Company for the year ended 31 December 2019 which was approximately RMB129.2 million, as compared to the net profit of approximately RMB121.1 million in 2018, representing an increase of approximately 6.7%.

OPERATION REVIEW

The Central Committee of the Communist Party of China and the State Council promulgated "The Development Plan of Guangdong-Hong Kong-Macao Greater Bay Area" in February 2019, and issued "The guideline for supporting Shenzhen in building a demonstration pilot zone for socialism with Chinese characteristics" afterwards in August 2019, creating a historical opportunity with synergies of two areas. As the principal business place of the Group located in Shenzhen, Guangdong Province, and the high-performance medical device industry is one of the first five industries to gain benefit, with the support of these multiple favorable policies, the Group is facing an unprecedented development opportunity. We will seize the opportunity, keep on innovating and take advantage of the situation to achieve better performance.

In 2019, the Group continued to promote the existing businesses of its major products and also actively expanded its distribution network around the world. The sales of the Group have been continuously increasing due to our constant marketing efforts and our enhanced brand image. Our leading market position has been further strengthened through these efforts.

In the research and development field, we have also achieved great breakthroughs. External Temporary Pacemaker was approved to be marketed in the United States by the US Food and Drug Administration ("FDA") and LAmbre™ Left Atrial Appendage ("LAA") Closure System obtained approval for an investigational device exemption application from FDA. A dozen of products are at the stage of clinical trials and the clinical data proved the safety and effectiveness of the products. Absnow™ Absorbable Atrial Septal Defect Closure System, GoldenFlow™ Peripheral Bare Stent System and External Temporary Pacemaker have passed the special review application of National Medical Products Administration ("NMPA") and been approved as innovative medical devices successively. At present, nine products of the Company have been approved as innovative medical devices by the NMPA.

In September 2019, the Group and Shenzhen Xinyuan Investment Enterprise LLP (a limited liability partnership, ultimately held as to 36.67% by Dr. Zhang Deyuan and 63.33% by members of the project team) entered into an agreement to increase the registered capital in Yuanxin Technology (Shenzhen) Co., Ltd. (the "JV Company"), a subsidiary of the Group. The establishment of the JV Company will be conducive to accelerating research and development of IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System and other bioabsorbable materials projects, further broadening the product mix, encouraging the project team and attracting talents, thus helping the JV Company to obtain external financing as soon as possible.

Moreover, LAmbre™ LAA Closure System was awarded the Top Ten Medical Devices of the 11th session of China Health Forum, which is a recognition of outstanding product design and excellent clinical performance of LAmbre™ LAA Closure System. The Company was also awarded as the "2019 Shenzhen Top Twenty Leading Biotechnology Enterprise", "2019 Nanshan District Headquarters Enterprise", "2017 Nanshan District People's Government Quality Award", "Guangdong Province Cardiovascular Disease Transmission Medical Innovation Platform" and "Best Investor Relations Management Award". The achievement of these awards will undoubtedly further enhance the attraction of the Company to the investors, and the excellent quality system along with innovative products will bring steady and sustained development to the Company.

PROSPECTS

At the beginning of 2020, the global business environment is full of challenges due to the outbreak of the COVID-19, which may cause certain adverse effects to the business of the Group in a short term. The Group has taken positive measures to minimize the impact of the epidemic. In the medium and long term, the global medical device market will continue to grow steadily with the development of the economy, the growth of the aging population and improvement of residents' health awareness.

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

We also believe that the strategic investment relationship with Ally Bridge Group and Quantum Surgical SAS will create a win-win cooperation and facilitate the Group to step into new markets. Further, we will explore the new investments in medical industry to enable us to gain greater presence in the global market, and align with the Company's strategic target in the global health industry.

We will continue to evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in 2020, so as to enhance our competitiveness and market position in current key markets as well as selective new markets.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders and business associates, and thank all directors, senior management and colleagues for their dedication and effort. Thank you for joining us in the golden 20 years of medical device industry development. We will strive to seize the opportunities to achieve sustainable business growth. Let us continue to work together towards the next golden age of innovation!

XIE Yuehui
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 30 March 2020

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 consists of congenital heart diseases occluders and LAA occluder. The peripheral vascular diseases business mainly includes vena cava filter and stent grafts. The 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

In 2019, with continuous deepening reform of the bidding policies as well as the development of the National Medical Security Bureau system, the tender prices of medical devices are facing downward pressure. However, the market demand which arises from the aging of population, urbanization and the increase of residents' health awareness is still driving the steady growth of the industry. During this reporting period, the Group leveraged on its advantages in brand image, strengthened academic promotion and resources allocation optimization to promote the Group's research and development projects, so as to seize opportunities to further develop its business amidst a changing and challenging environment.

During the year ended 31 December 2019, the Group achieved a revenue of approximately RMB668.9 million with an increase of approximately RMB112.2 million or approximately 20.2% as compared with the revenue of approximately RMB556.7 million for the year ended 31 December 2018. China is still our largest market, the sales generated from the Chinese market accounted for approximately 75.3% of our total revenue for the year ended 31 December 2019 (corresponding period of 2018: approximately 76.9%). Our domestic sales increased by approximately 17.8% while overseas sales increased by approximately 28.1% as compared with the corresponding period of 2018.

Sales and marketing

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

Research and development ("R&D")

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

During the year ended 31 December 2019, we made the following achievements in R&D field:

- Lifetech Cardio Temporary Pacemaker which was developed by Lifetech independently, got 510(k) clearance by the FDA and could be released in the United States.
- LAmbre™ LAA Closure System obtained approval for an investigational device exemption application from FDA.
- Absnow™ Absorbable Atrial Septal Defect Closure System, Fitaya™ Vena Cava Filter System and Yuranos™ Abdominal Aortic Stent Graft System had completed the domestic clinical trial enrollments.
- Lifeflow™ Iliac Artery Bifurcation Stent Graft System had completed clinical summary report and the clinical data is positive.
- Absnow™ Absorbable Atrial Septal Defect Closure System, GoldenFlow™ Peripheral Bare Stent System and External Temporary Pacemaker have passed the special review application of NMPA and been approved as innovative medical devices successively. At present, nine products of the Company have been approved as innovative medical devices by the NMPA.

PATENTS AND BRANDING

Intellectual property is an important intangible asset of the Group, also an internal driving force to improve our core competitiveness in the medical device market. During the year ended 31 December 2019, the Group has filed 212 patent applications while 89 patents were registered. As at 31 December 2019, the Group has filed a total of 1,081 patent applications, of which 286 were registered.

In 2019, Lifetech was awarded to be an "Intellectual Property Advantage Enterprise of the People's Republic of China" and an "Intellectual Property Demonstration Enterprise of Guangdong Province".

PROJECT INVESTMENTS

In April 2019, the Company entered into a Strategic Collaboration Agreement with ABG Innovation-Quantum Limited, an investment holding company controlled by Ally Bridge Group, a cross-border life science investment group and Quantum Surgical SAS, an innovative surgical robotics company registered in France, and an industrial pioneer focused on R&D, design, manufacturing and servicing activities of a surgical robot platform for interventional oncology and its commercialization, to establish a company in Guangdong, China that focuses on the R&D and commercialization of specified products (including Quantum Integrated Robotized Platform for Interventional Oncology and next generation versions, etc.) (the "Innovative Surgical Robot"), particularly for liver cancer treatment in China. In June 2019, the company namely Dongguan LifeTech-Quantum Medical Technology Co., Ltd. ("LifeTech-Quantum") was established. Lifetech-Quantum shall leverage on the technological advantages, online platforms and capital support of the parties thereof, so as to enhance the pace in obtaining permission to launch in the Chinese market and the commercialization arrangements of the innovative surgical robot, thus benefitting cancer patients in China. For further details, please refer to announcement of the Company dated 3 April 2019 and 26 June 2019. As at the date of this annual report, the surgical robot is in the process of type testing and the first clinical enrollment is expected to be completed by the end of 2020.

In June 2019, the Company and Sorrento Therapeutics Inc. (NASDAQ: SRNE) (the "Sorrento Therapeutics") jointly established a company, Shenzhen Yunma Biotechnology Co., Ltd. (深圳市雲麻生物科技有限公司, the "Shenzhen Yunma"). Yunnan Masheng Health Science Co., Ltd. (雲南麻省健康科學有限公司, the subsidiary of Shenzhen Yunma, has obtained the "Yunnan Industrial Hemp Planting License" and the "Reply to the Application for Industrial Hemp Processing to Yunnan Masheng Health Science Co., Ltd.", and has been permitted to commence the planting of industrial hemp and the establishment of an industrial hemp flowers and leaves extraction processing line. Furthermore, Shenzhen Yunma has entered into a scientific research cooperation framework agreement with Shenzhen Institutes of Advanced Technology, Chinese Academy of Sciences, pursuant to which the parties will jointly cooperate in medical research and development on the application of industrial hemp, cannabidiol and cannabinoid in the treatment of neurological diseases such as autism and depression. For further details, please refer to announcement of the Company dated 4 June 2019. The Company will carefully consider the expansion of industrial hemp business and follow-up arrangements in accordance with industry policies and market development trends.

FINANCIAL REVIEW

Overview

The Company has maintained a steady growth for the year ended 31 December 2019.

Revenue

Our revenue was approximately RMB668.9 million for the year ended 31 December 2019, with an increase of approximately RMB112.2 million or approximately 20.2% as compared to the revenue for the year ended 31 December 2018. The growth in revenue was mainly attributable to the increase of revenue from LAmbre™ LAA occluder, Cera congenital heart occluders, stent grafts and vena cava filter.

Revenue from structural heart diseases business

The turnover contributed by the structural heart diseases business for the year ended 31 December 2019 was approximately RMB274.4 million (2018: approximately RMB208.3 million), representing a growth of approximately 31.7%.

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

As compared to the corresponding period of 2018, the revenue generated from the sales of HeartR occluders increased by approximately 9.1%, Cera occluders increased by approximately 46.2% and CeraFlex occluders increased by approximately 29.7% for the year ended 31 December 2019.

The revenue generated from the sales of LAmbre™ LAA occluder was approximately RMB64.1 million for the year ended 31 December 2019 (2018: approximately RMB41.6 million), representing a growth of approximately 54.1%.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2019 was approximately RMB372.5 million (2018: approximately RMB342.9 million), representing a growth of approximately 8.6%.

The products we offered in the peripheral vascular diseases business mainly included vena cava filter, Thoracic Aortic Aneurysm stent graft, Abdominal Aortic Aneurysm stent graft and Fustar™ steerable introducer. As compared to the corresponding period of 2018, the revenue generated from the sales of stent grafts increased by approximately 7.1% and vena cava filter increased by approximately 7.6% for the year ended 31 December 2019.

Revenue from cardiac pacing and electrophysiology business

The turnover contributed by the cardiac pacing and electrophysiology business for the year ended 31 December 2019 was approximately RMB22.0 million (2018: approximately RMB5.5 million), representing a growth of approximately 300.0%.

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 17.5% from approximately RMB455.0 million for the year ended 31 December 2018 to approximately RMB534.8 million for the year ended 31 December 2019. Gross profit margin decreased by 1.7% from approximately 81.7% for the year ended 31 December 2018 to approximately 80.0% for the year ended 31 December 2019. The decrease was mainly due to the negative gross profit of HeartTone™ pacemaker, which was driven by the large-scale effect of HeartTone™ pacemaker has not been achieved while comparatively high fixed depreciation cost of the production line was realised at current stage.

Selling and distribution expenses

Selling and distribution expenses increased by 28.5% from approximately RMB129.6 million for the year ended 31 December 2018 to approximately RMB166.5 million for the year ended 31 December 2019. The increase was primarily due to (i) an increase in staff costs, which was mainly due to an increase in the share-based payment expenses of approximately RMB12.4 million in 2019; and (ii) an increase in marketing expenses.

Administration expenses

Administration expenses increased by 38.9% from approximately RMB95.3 million for the year ended 31 December 2018 to approximately RMB132.4 million for the year ended 31 December 2019. The increase was primarily due to an increase in staff costs, which was mainly due to an increase in the share-based payment expenses of approximately RMB32.3 million in 2019.

Research and development expenses

Research and development expenses increased by 22.5% from approximately RMB115.2 million for the year ended 31 December 2018 to approximately RMB141.1 million for the year ended 31 December 2019. In addition, during the year ended 31 December 2019, approximately RMB60.0 million (2018: approximately RMB53.9 million) was capitalised in development expenditure. Considering such capitalised expenditure, research and development cost increased by approximately 18.9% from approximately RMB169.1 million for the year ended 31 December 2018 to approximately RMB201.1 million for the year ended 31 December 2019. The increase was primarily due to (i) an increase in staff costs, which was mainly due to an increase in the share-based payment expenses of approximately RMB14.6 million in 2019; and (ii) an increase in developing projects expenditure, especially for significant increase in clinical trials.

Operating profit

Operating profit increased by approximately 15.0% from approximately RMB164.2 million for the year ended 31 December 2018 to approximately RMB188.8 million for the year ended 31 December 2019. The increase was primarily due to (i) the growth of sales revenue; and (ii) the increase of other income and other gains resulting from government grants and rental income.

Share of results of associates

The Group's 12.5% equity interest in 深圳高性能醫療器械國家研究院有限公司 and 49% equity interest in 深圳市尚品雲麻科技有限公司 had been accounted as interest in associates. The Group's share of losses were approximately RMB63,000 for the year ended 31 December 2019 (2018: nil).

Fair value and net exchange gains on financial assets

On 10 May 2018, the Group invested USD20.0 million (equivalent to approximately RMB127.3 million) to subscribe for an equity interest of approximately 27% in ABG-Grail Limited in order to indirectly acquire a minority equity interest in Grail, Inc. ("GRAIL"), a healthcare company with a focus on early cancer screening. The Company believes in the great market potential in technologies for the screening, treatment and rehabilitation industries in relation to cancer. The Company's indirect investment in GRAIL is aimed at providing the Company with greater exposure to the global market and improving the Company's position as a comprehensive healthcare provider. GRAIL is presently in an expansion phase. Although there are inherent risks associated with the development and commercialisation of new products, the Company believes the investment will broaden the Group's involvement in innovative healthcare providers and relative industries which the Company believes have great market potential. Presently, the early cancer screening method of GRAIL obtained approval for an investigational device exemption application from FDA, and the enrollments of the first group of patients on trial have already been completed.

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

The investments are classified as financial assets at fair value through profit or loss ("FVTPL") and they do not constitute notifiable transactions of the Company. Additional information in relation to these investments have been set out in note 20 to the consolidated financial statements in this annual report.

The unrealised foreign exchange gain in financial assets at FVTPL was approximately RMB2.9 million in 2019 (corresponding period in 2018: approximately RMB12.8 million), and the gain from changes in fair value of financial assets at FVTPL was approximately RMB7.1 million in 2019 (corresponding period in 2018: loss of approximately RMB8.5 million). The fair value on financial assets was determined with reference to valuation report carried out by an independent qualified professional valuer.

Other income and expenses

Other income and expenses increased by approximately 100% from approximately RMB44.3 million for the year ended 31 December 2018 to approximately RMB88.6 million for the year ended 31 December 2019. The increase was primarily due to (i) the increase of other income resulting from government grants; and (ii) the increase of other income resulting from rental income.

Finance income and finance costs

The Company earned an interest income of approximately RMB2.3 million for the year ended 31 December 2019 as compared to approximately RMB3.3 million for the corresponding period in 2018.

The finance costs were approximately RMB20.2 million for the year ended 31 December 2019 as compared to approximately RMB0.3 million for the corresponding period in 2018.

Income tax

Income tax decreased from approximately RMB45.8 million for the year ended 31 December 2018 to approximately RMB43.6 million for the year ended 31 December 2019. The decrease was mainly due to the income tax generated by Lifetech Shenzhen allocating profits to the parent company in 2018, which amounted to approximately RMB13.9 million.

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB129.2 million as compared to the net profit attributable to owners of the Company amounting to approximately RMB121.1 million in 2018. The increase was mainly due to (i) the growth of sales revenue; (ii) the increase of other income and other gains resulting from government grants and rental income; and (iii) approximately RMB13.9 million decrease in the withholding tax on inter-company dividends, which generated from Lifetech Shenzhen allocating profits to the parent company in 2018. Meanwhile, the share-based payment expenses were approximately RMB125.4 million for the year 2019 in comparison with approximately RMB61.1 million in 2018, increased by approximately RMB64.3 million. Excluding the influence of the withholding tax on inter-company dividends and share-based payment expenses, the Company would have recorded net profit attributable to owners of the Company for the year ended 31 December 2019 which was approximately RMB254.6 million, as compared with a net profit of approximately RMB196.1 million for the year ended 31 December 2018, representing an increase of approximately 29.8%.

LIQUIDITY AND FINANCIAL RESOURCES

In 2019, the Group mainly financed its operations with its own working capital, bank borrowings and equity funding.

The Group recorded total current assets of approximately RMB605.8 million as at 31 December 2019 (2018: approximately RMB578.0 million) and total current liabilities of approximately RMB341.2 million as at 31 December 2019 (2018: approximately RMB208.3 million). The current ratio (calculated by dividing the current assets by the current liabilities) of the Group was approximately 1.78 as at 31 December 2019 (2018: approximately 2.77).

BORROWINGS

As at 31 December 2019, bank borrowings were approximately RMB330.3 million, with an increase of approximately RMB306.3 million as compared to approximately RMB24.0 million as at 31 December 2018. The increase bank borrowings were mainly used in purchasing 300.0 million ordinary shares of the Company through the Trustee under the Share Award Scheme. For further details, please refer to Note 29 to the consolidated financial statements and the section headed "Share Award Scheme" in this annual report.

The interest incurred therefrom was approximately RMB19.0 million in 2019 (corresponding period in 2018: approximately RMB0.3 million).

GEARING RATIO

As at 31 December 2019, the gearing ratio (calculated as a ratio of total borrowings to total equity) of the Group was 28.4% (31 December 2018: 1.9%).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB1,152.0 million as at 31 December 2019 as compared to approximately RMB1,240.4 million as at 31 December 2018.

LAND ACQUISITION

On 26 June 2019, Dongguan LifeTech Medical Co., Ltd (東莞市先健醫療有限公司), a wholly-owned subsidiary of the Company entered into a land use right transfer contract with Dongguan Natural Resources Bureau (東莞市自然資源局) for the acquisition of land use right of a land which has a site area of 43,604 square meters located at the southeast of the intersection of South 1 Road and South 8 Road in eastern Songshan Lake, Dongguan, Guangdong, PRC (the "Land"). The land use right was acquired at a total consideration of approximately RMB43.6 million. For further details, please refer to announcement of the Company dated 26 June 2019. The Land is used to build the industrial park of Lifetech in Songshan Lake, which is currently at pre-construction stage.

The tax arising from the land use right acquisition amounted to approximately RMB1.3 million.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this annual report, there were no significant investments held by the Company for the year ended 31 December 2019. The Group will enrich its product lines and expand its business scale by independent development, mergers and acquisitions as well as other means to maximize shareholders' interest and create more value.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this annual report and the strategic partnership and formation of joint ventures as disclosed in the announcements of the Company dated 3 April 2019, 4 June 2019 and 26 June 2019, there were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2019.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as of 31 December 2019.

FINANCIAL INSTRUMENT

As at 31 December 2019, the Group did not have any outstanding hedge contracts or financial derivative instruments.

CAPITAL EXPENDITURE

For the year ended 31 December 2019, the capital expenditure of the Group for property, plant and equipment (the "PPE"), construction in progress, intangible assets, right-of-use assets (2018: prepaid lease payments) and deposits for PPE amounted to approximately RMB157.8 million (31 December 2018: approximately RMB114.2 million).

FOREIGN EXCHANGE RISK

During the year ended 31 December 2019, the Group's operations were primarily based in the PRC and Europe. The revenue derived from Europe accounted for approximately 10.5% (2018: approximately 9.2%) of the total revenue of the Group. There were currency fluctuations during the period, the Group's operational results and financial condition may be affected by changes in the exchange rates. As the Group reasonably arranges the currency structure, which effectively reduces foreign exchange risk, the Directors believe that there is no significant foreign exchange risk to the Group at current stage. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the period. The Group will continuously monitor its foreign exchange exposure and will consider hedging of foreign currency risk should the need arise. Further discussion on our financial risk management objectives and policies is included in the section headed "Financial risk management objectives and policies" in Note 38(b) to the consolidated financial statements in this annual report.

CHARGES ON GROUP ASSETS

As at 31 December 2019, the Group had pledged its unlisted participating shares in ABG-Grail Limited with the fair value of approximately RMB146.9 million (2018: nil), and pledged bank deposit of RMB90.0 million (2018: RMB30.0 million) for the purpose of securing the bank borrowings.

Save as disclosed above, as at 31 December 2019, the Group did not have other charges on its assets.

CAPITAL COMMITMENT

As at 31 December 2019, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB13.9 million (2018: approximately RMB12.1 million).

SEGMENT INFORMATION

During the year ended 31 December 2019, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. Financial information related to these aspects is presented in Note 5 to the consolidated financial statements in this annual report.

EVENTS AFTER REPORTING PERIOD

The global business environment is full of challenges since the outbreak of the COVID-19 epidemic, the Group has closely monitored its developments and kept regular communications with its suppliers, customers and other parties to understand whether there would be any significant impacts on the Group's business. As required by the local government offices in which the Group's factories are located, the operations of which had been suspended for one week and had resumed their operations on 11 February 2020. The Group will continue to pay close attention to the development of the COVID-19 epidemic, proactively assess and react to its impacts on the financial position and operating results of the Group.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had 786 (31 December 2018: 750) full time employees and two executive Directors (31 December 2018: three). Total staff costs, including Directors' emoluments, amounted to approximately RMB312.0 million for the year 2019 (2018: approximately RMB205.0 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. In 2019, the amount of contributions to retirement benefits scheme was approximately RMB14.0 million (2018: approximately RMB12.0 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 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 medical insurance, annual physical examination and share options. We have a fair and effective performance appraisal system and incentive bonus schemes designed to motivate and reward employees at all levels for their performance and achievements. 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. More recently, the Company has adopted a share award scheme on 28 December 2018, which was subsequently amended by an unanimous written resolutions of the Board on 29 April 2019 (the "Share Award Scheme").

The Group believes that employees are the key to success. We are committed to providing all employees with a safe and harassment-free working environment, equal employment opportunities, reward management, training and career development. Since the outbreak of the COVID-19 epidemic, the Company established a prevention and control leading group immediately to mobilize resources and coordinate arrangements by making sufficient preparation for epidemic prevention and control, so as to fully protect the health and safety of employees. Up to the date of this annual report, the management was not aware of any instance of coronavirus infection among our staff.

In 2019, the Group established a labor union to safeguard the legitimate rights of employees and further promote our sustainable, stable and healthy development. The Company and labor union organised a series of twentieth anniversary celebration activities, such as sports, essay competition, photo contest, carnivals and cruise tours, to enhance effective communication and cooperation among employees.

FUTURE PROSPECTS

The Group will keep strengthening its development in the year of 2020 by relying on its existing three core businesses, namely structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. We will continue to optimize the selection and retention of high-quality customers, as well as increase investment to expand the secondary market. Meanwhile, by conducting post-market clinical trials of core products, the safety and effectiveness of our products have been furtherly proved through clinical data, thereby promoting product sales.

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

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

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

ENVIRONMENT AND SUSTAINABILITY

We are committed to 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 2019 Environmental, Social and Governance Report which will be published as a separate report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

XIE Yuehui (謝粵輝), aged 50, is our chairman, Chief Executive Officer and our executive Director. Mr. XIE has served as the director of Lifetech Shenzhen since October 2000 and was promoted to serve as the chairman of Lifetech Shenzhen since 2005. During the period from 2007 to 2018, Mr. XIE was appointed as a director of 6 overseas subsidiaries of our Group and 5 PRC subsidiaries of our Group. Mr. XIE was appointed as a director of 5 PRC subsidiaries of the Group in 2019. Mr. XIE is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. XIE has about 29 years of experience in business management in the PRC, including over 17 years in the medical device industry. In June 2015, Mr. XIE was appointed as representative of the Sixth Shenzhen Municipal People's Congress. From 1991 to 1993, Mr. XIE served as the project manager of Eastern Tantalum Group (東方鉭業集團). From June 1993 to January 1994, Mr. XIE was the investment manager at a subsidiary of China Southern Securities (南方證券), and was responsible for project investment. From February 1994 to February 1996, Mr. XIE held the position of the deputy general manager at an investment branch of Bank of China, Jilin Province, and was responsible for managing futures investment projects. From February 1996 to December 1998, Mr. XIE served as the manager at the domestic trade department of Shenzhen Huihua Group (深圳市匯華集團), and was responsible for overall trade management. Since June 1998, Mr. XIE was a general manager at Shenzhen Huishibang Technology Company Limited (深圳市匯世邦科技有限公司) and was promoted to the chairman in 2000. During this period, Mr. XIE was responsible for overall business management. Mr. XIE graduated from Kunming Institute of Technology (昆明工學院) in July 1991 with a bachelor's degree in materials specialising in pressurized processing of metals (金屬壓力加工專業). He also obtained a master's degree in Business Administration from Tsinghua University in July 2006.

LIU Jianxiong (劉劍雄), aged 49, is our Executive Vice President, Chief Financial Officer ("CFO"), Company Secretary and our executive Director. He was appointed as a non-executive Director on 2 March 2015 and was subsequently re-designated as an executive Director with effect from 27 March 2015. On 13 July 2017, he was promoted to serve as Vice President. On 12 April 2019, he was further promoted to serve as Executive Vice President. Mr. LIU joined us in September 2010 and he has been appointed as a director of a number of the Group's subsidiaries, including LifeTech Scientific (Europe) Coöperatief U.A., LifeTech Scientific (Netherlands) B.V., LifeTech Scientific (Hong Kong) Co., Ltd. and Dongguan LifeTech-Quantum Medical Technology Co., Ltd. since 2015. Mr. LIU has about 27 years of experience in the accounting field. He started his career as an auditor at Kwan Wong Tan & Fong (currently Deloitte Touche Tohmatsu) in 1993, and was primarily responsible for carrying out audits and consultancy work. Mr. LIU then continued to work with a number of multinational companies. From 1997 to 2001, he was the accounting services manager of Yantian International Container Terminal Company Limited (鹽田國際集裝箱碼頭有限公司). From 2001 to 2003, Mr. LIU was the financial controller of Shenzhen Schlumberger Electronic System Solution Co., Ltd. (深圳斯倫貝謝電子系統有限公司). From March 2007 to July 2007, Mr. LIU was the China financial controller of the China Light & Power Group renewable energy division. From December 2007 to February 2010, Mr. LIU was the corporate controller of AnyDATA Group in the Great China, and was responsible for financial management, accounts audit, tax planning, raising capital and preparation of financial accounts in accordance with accounting standards in PRC, U.S. and Hong Kong. He has been a member of the Association of Chartered Certified Accountants since 1997 and a registered tax agent since 1999. Mr. LIU graduated from Zhongshan University's faculty of physics with a major in modern physics technology in July 1990. He obtained a master's degree in business administration from University of Glamorgan in the United Kingdom in December 2004.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

JIANG Feng (姜峰), aged 57, was appointed as a non-executive Director on 1 April 2014. Mr. JIANG is currently vice president of China Association for Medical Devices Industry, chairman of China Strategic Alliance of Medical Devices Innovation, deputy director of Biomedical Engineering Education Steering Committee of the Ministry of Education (教育部生物醫學工程專業教育指導委員會), executive director of Chinese Society of Biomedical Engineering and Chinese Society for Biomaterials. Mr. JIANG is an independent non-executive director of Grandhope Biotech Co., Ltd. and Zhongzhu Healthcare Holding Co.,Ltd., companies listed on the Shenzhen Stock Exchange and Shanghai Stock Exchange, respectively. Mr. JIANG had been working as a clinician for 12 years before he left the hospital in 1997 to establish his own business. For his outstanding achievements, Mr. JIANG was considered to be special talent by SASAC and was chosen to be a leader of national large medicine and device companies for a long term, including as chairman and general manager of China National Pharmaceutical Group Corporation North West Company and China National Medical Equipment Co., Ltd.. During that period he was in charge of or participated in restructuring, mergers and acquisitions and transformation for listing of nearly 40 relevant companies. Mr. JIANG had been serving as a general manager of China National Medical Equipment Co., Ltd for 9 years, during which he accomplished the substantial transformation of the enterprise from exhibition business to production and operation of device by establishing China's first Sino-foreign joint venture medical device distribution company and making it the largest domestic medical device distributor within 5 years. He had been president and standing vice president of China Association for Medical Devices Industry for 16 years, during which he visited and evaluated over a thousand of member enterprises. For around 9 years while being a chairman of China Strategic Alliance of Medical Devices Innovation, he assisted the science and technology department and local science and technology bureaus in assessing subjects of hundreds of medical device projects and conducting subsequent management. Benefiting from his extensive work experience in the industry, Mr. JIANG is expert at the operation and management of medical companies and understands development trend of the industry, in particular, he has made experience in industrial innovation and international marketing. Since December 2013, Mr. JIANG was appointed as an independent non-executive director of Guangdong Baihe Medical Technology Co., Ltd. (廣東百合醫療科技有限公司). Since 8 November 2016, Mr. JIANG was appointed as an independent non-executive director of Hangzhou Kangji Medical Instrument Co., Ltd. for a term of three years. Mr. JIANG graduated from the Fourth Military Medical University with a bachelor degree in medicine in 1985 and obtained his doctoral degree of clinical surgery in 1995 from the Fourth Military Medical University. He obtained an EMBA degree from Tsinghua University in 2007.

FU Feng (傅峰), aged 50, was appointed as a non-executive Director with effect from 28 August 2019. Mr. Fu currently is the managing director and head of healthcare fund at China Everbright Limited. Mr. Fu has very extensive experience in financial investments. Over the last 16 years, he played the role as a leader and participated in each phase of numerous transactions. From 2008 to 2016, Mr. Fu served as the head of healthcare investment at FountainVest Partners, TPG Growth Capital and Hillhouse Capital respectively. He was the national sales director of Sanjiu Pharmaceutical Co. Ltd. from 1992 to 1999. Mr. Fu holds a Bachelor's degree in International Finance from East China Normal University and a Master of Business Administration from the University of British Columbia. Mr. Fu has been a Chartered Financial Analyst of the CFA Institute since 2003.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph (梁顯治), aged 65, was appointed as an independent non-executive Director with effect from 22 October 2011. Mr. LIANG has extensive experience in finance and accounting. From November 1993 to August 2001, Mr. LIANG served as the finance manager at Hong Kong International Terminals Limited for Yantian International Container Terminals, both being container terminal companies managed by the Hutchison Port Holdings Trust. From August 2001 to October 2005, Mr. LIANG held various positions at Skyworth Digital Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 751), including the group's financial controller and company secretary in charge of finance and MIS functions of the Group. From October 2005 to December 2008, Mr. LIANG was a director at Shenzhen Alclear Consulting Limited, a company engaging in financial, corporate management and investment consultancy services, and was responsible for developing accounting training in China. From October 2009 to September 2011, Mr. LIANG was the managing director of the financial planning and development department at United International College in Zhuhai, PRC, and was responsible for serving financial advisory and human resources management functions. From October 2011 to September 2012, Mr. LIANG served as special consultant on campus development at the College. He was the executive vice president of Finance of TWS Industrial (Holdings) Ltd. since October 2011, a private company engaged in battery production. He later worked as consultant in it from August 2013 to December 2013. He returned to full time teaching as an associate professor at UIC in September 2013. Mr. LIANG graduated from Hong Kong Open University with a bachelor's degree in language and translation in December 2007. Mr. LIANG obtained a master's degree in professional accounting from University of Texas, Austin in May 1981 and a diploma in business management from Hong Kong Baptist College in December 1977. Mr. LIANG has been a member of the Texas Society of Certified Public Accountants, Hong Kong Institute of Certified Public Accountants (formerly known as "Hong Kong Society of Accountants") since June 1982 and Association of Certified Chartered Accountants (ACCA) since May 1982. On 19 February 2013, Mr. LIANG was appointed as an independent non-executive director of North Asia Strategic Holding Limited, a company listed on GEM (Stock Code: 8080) for a term of three years. He was re-appointed as independent non-executive director of North Asia Strategic Holding Limited for another three years commencing 19 February 2016. Mr. LIANG was also appointed on 6 June 2014 for a one year term as an independent non-executive director of China Animal Healthcare Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 940). On 26 June 2015, Mr. LIANG ceased to be an independent non-executive director of China Animal Healthcare Limited.

WANG Wansong (王皖松), aged 50, was appointed as an independent non-executive Director on 29 January 2016. Mr. WANG has an extensive experience in plans establishment, and policies formulation and implementation for the High-Tech industrial development and construction in Shenzhen, as well as in technological innovation, achievements transformation, and projects implementation and co-ordination for high-tech bio-pharmaceutical industry and medical device industry. From 1997 to 2014, Mr. WANG worked at National Development and Reform Commission, Shenzhen City (深圳發展改革委員會). Prior to that, Mr. WANG worked in Shenzhen Xinhuayu Marine Environmental Technology Engineering Co., Ltd.* (深圳新華宇海洋環境技術工程公司) from 1992 to 1997, and in Jiujiang Environmental Protection Bureau, Jiangxi province (江西省九江市環境保護局) from 1991 to 1992. In July 2018, Mr. WANG ceased to be a senior researcher at the State High-Tech Industrial Innovation Center in Shenzhen (深圳市國家高技術產業創新中心). Since August 2018, Mr. WANG has been appointed as a senior researcher of Shenzhen Zerun Health Technology Innovation Center (深圳市至元灣區健康科技協同創新中心). Mr. WANG holds a bachelor degree in Biology from the Peking University.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

ZHOU Luming (周路明), aged 61, was appointed as an independent non-executive Director with effect from 1 April 2014. Mr. ZHOU is currently a dean of the Southern Institute of Science and Technology of Space. He was a teacher in South-Central University for Nationalities from July 1984 to May 1992. During that period, his professional article Systems Science (系統科學) was published with release of certain papers. From May 1992 to September 2001, he worked in Shenzhen Technology Bureau (深圳市科技局) as the head of the compliance division, director of general office and head of the planning division, taking charge of the establishment of a series of major legislations and research on decision-making work. Mr. ZHOU acted as deputy dean of Research Institute of Tsinghua University in Shenzhen from September 2001 to May 2004. He was deputy director of Shenzhen Technology Bureau from May 2004 to May 2008. During the period from 2005 to 2008, Mr. ZHOU presided over series of study on innovative cities. From 2008 to March 2014, when he served as chairman of Shenzhen Science and Technology Association, he established a great number of private-funded research institutes with international advanced level, which involved metamaterial, new energy and precise manufacturing. His experience in directing the restructuring of Shenzhen Science and Technology Association was highly appreciated by major leaders of China Association of Science and Technology with promotion in the system of the association of science and technology. Mr. ZHOU graduated from the Faculty of Physics of Central China Normal University in 1984, and obtained his EMBA degree after graduating from Tsinghua University in 2005.

SENIOR MANAGEMENT

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has applied the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as its own code of corporate governance and confirms that it has complied with all material code provisions and most of the recommended best practices under the CG Code throughout the year ended 31 December 2019, save for the deviations from certain code provisions which are explained in the relevant paragraphs in this corporate governance report. The Company has committed to making necessary arrangements to comply with all the code provisions.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in the listed securities of the Company by the Directors.

Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standards set out in the Model Code during the year ended 31 December 2019. Details of the shareholding interests held by the Directors as at 31 December 2019 are set out on page 38 of this annual report.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2019.

BOARD OF DIRECTORS

As at the date of this annual report, the Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors, and changes to the Board members during 2019 and up to the date of this annual report are as follows:

Executive Directors

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

Non-executive Directors

JIANG Feng
FU Feng (appointed on 28 August 2019)

Independent Non-executive Directors

LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

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

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

During the year ended 31 December 2019, the Board complied at all times with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. The Company has received an annual confirmation of his independence from each of the independent non-executive Directors and considers that their independence is in compliance with the Listing Rules as at the date of this annual report.

During the year ended 31 December 2019, four regular Board meetings were held mainly for reviewing and approving the financial and operating performance.

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

Name of Directors	Attendance/ Number of Board meetings held	Attendance/ Number of general meetings held
EXECUTIVE DIRECTORS		
XIE Yuehui *(Chairman and Chief Executive Officer)*	4/4	2/2
LIU Jianxiong *(Executive Vice President, Chief Financial Officer and Company Secretary)*	4/4	2/2
ZHANG Deyuan *(President and Chief Technology Officer)* (resigned on 28 March 2019)	1/1	0/1
NON-EXECUTIVE DIRECTORS		
JIANG Feng	3/4	1/2
FU Feng (appointed on 28 August 2019)	1/1	N/A
INDEPENDENT NON-EXECUTIVE DIRECTORS		
LIANG Hsien Tse Joseph	4/4	2/2
WANG Wansong	4/4	1/2
ZHOU Luming	4/4	1/2

Practices and Conduct of Meetings

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

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

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

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

Continuous Professional Development for Directors

During the year ended 31 December 2019, the Directors participated in training related to the corporate governance and Listing Rules organized by the Company's Hong Kong legal advisor, and the Company has kept the relevant training records.

A summary of training received by the Directors for the year ended 31 December 2019 according to the records provided by the Directors is as follows:

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

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

Corporate Governance Functions

The Board approved and adopted the updated Terms of Reference of the Board on Corporate Governance Functions with effect from 8 November 2013. For the year ended 31 December 2019, the Company complied with code provision D.3.1 of the CG Code.

Chairman and Chief Executive Officer

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

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

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

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

Non-executive Directors and independent non-executive Directors

Code provision A.4.1 provides that non-executive Directors should be appointed for a specific term and subject to re-election. The Company's non-executive Directors and independent non-executive Directors have been appointed for a term of three years. All of the Company's non-executive Directors and independent non-executive Directors in position as at 31 December 2019 are subject to re-election.

COMMITTEES

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

Audit Committee

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

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

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

During the year ended 31 December 2019, the Audit Committee held two meetings and performed the following duties:

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

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

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

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

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

The Group's annual audited results for the year ended 31 December 2019 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results are complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

Remuneration Committee

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

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

The Remuneration Committee held two meetings during the year ended 31 December 2019. The particulars of the attendance of the Remuneration Committee are set forth as follows:

Name of the members of the Remuneration Committee	Number of meetings attended/ convened
Chairman:	
Mr. WANG Wansong	2/2
Members:	
Mr. LIANG Hsien Tse Joseph	2/2
Mr. XIE Yuehui	2/2

Nomination Committee

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

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

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

The Nomination Committee held two meetings during the year ended 31 December 2019 to identify and make recommendations to the Board on the selection of individuals nominated for directorship, and considered the qualifications of the retiring Directors standing for re-election at the annual general meeting. The particulars of the attendance of the Nomination Committee are set forth as follows:

Name of the members of the Nomination Committee	Number of meetings attended/ convened
Chairman:	
Mr. ZHOU Luming	1/2
Members:	
Mr. XIE Yuehui	2/2
Mr. LIANG Hsien Tse Joseph	2/2

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

REMUNERATION OF EXTERNAL AUDITOR

For the year ended 31 December 2019, the Group's external auditor, Deloitte Touche Tohmatsu, provided annual audit service to the Group and the total fees paid/payable in respect of annual audit service was approximately RMB1.8 million. There was no non-audit service provided in the year 2019.

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

During the year ended 31 December 2019, the Board has discussed and reviewed the risk management and internal control systems and the relevant proposal made by senior management in order to ensure an adequate and effective systems of risk management and internal control. The Board will continue to assess the effectiveness of risk management and internal controls by considering reviews presented by the Audit Committee, executive management and the internal compliance coordinators of the Company.

DIRECTORS' RESPONSIBILITY IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for the year ended 31 December 2019, which give a true and fair view of the results and financial position of the Group. The Directors consider that in preparing financial statements, the Group ensures to meet statutory requirements, applies appropriate policies that are consistently adopted as well as makes judgments and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

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

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

The statement of the independent auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Company and the Group is set out in the Independent Auditors' Report on pages 50 to 55 of this annual report.

COMPANY SECRETARY

Mr. LIU Jianxiong was appointed as the Company Secretary of the Company on 22 October 2011. Mr. LIU has over 27 years of experience in the accounting field. During the year ended 31 December 2019, Mr. LIU undertook not less than 15 hours of relevant professional training as required under Rule 3.29 of the Listing Rules to update his skills and knowledge in corporate governance and compliance issues. The biographical information of Mr. LIU is set out in the "Biographical Details of Directors and Senior Management" section on page 18 of this annual report.

SHAREHOLDERS' RIGHTS

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, the Company has not made any changes to its Memorandum and Articles of Association.

ANNUAL GENERAL MEETING

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

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company while its subsidiaries are principally engaged in the developing, manufacturing and marketing of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. For further details on the principal activities of its subsidiaries, please refer to Note 41 to the consolidated financial statements.

Details of the activities during the year ended 31 December 2019 as required by Schedule 5 to the Companies Ordinance, including a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and the Group's environmental policies and performance, as well as compliance with relevant laws and regulations which have a significant impact on the Company, are set out under the section "Management Discussion and Analysis" on pages 8 to 17 of this annual report.

A fair review of the business of the Company and a discussion and analysis of the Group's performance during the year ended 31 December 2019 and the material factors underlying its results and financial position are provided in the sections headed "Management Discussion and Analysis" respectively on pages 8 to 17 of this annual report. Description of the principal risks and uncertainties facing the Company can be found throughout this annual report, particularly in the section "Management Discussion and Analysis" on page 15 of this annual report. Particulars of important events affecting the Company that have occurred since the end of the year 2019, if any, can also be found in the above-mentioned sections and the Notes to the consolidated financial statements. The outlook of the Company's business is discussed throughout this annual report including in the Chairman's Statement from pages 5 to 7 of this annual report. An account of the Company's relationships with its key stakeholders is included in the section headed "Employees and Remuneration Policy" on pages 16 to 17 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2019 and the state of affairs of the Group at that date are set out in the consolidated financial statements.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019.

FINANCIAL SUMMARY

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2019, sales to the Group's five largest customers accounted for approximately 25.7% of the Group's total sales and sales to the largest customer included therein amounting to approximately 7.3%.

The aggregate purchases during the year ended 31 December 2019 attributable to the Group's five largest suppliers were approximately 47.2% of the Group's total purchases and purchases from the largest supplier included therein amounting to approximately 13.3%.

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

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2019 are set out in Note 31 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group during the year ended 31 December 2019 are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2019, the Company's reserves available for distribution to its owners of the Company amounted to approximately RMB294.4 million (2018: approximately RMB377.4 million).

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2019 are set out in Note 14 to the consolidated financial statements in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

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

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

During the year of 2019, other than the service contracts or appointment letters of the Directors, the Company has not entered into any contract with any individuals, firms or corporate entities to manage or regulate the whole or any substantial part of any business of the Company.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

JIANG Feng
FU Feng (appointed on 28 August 2019)

Independent Non-executive Directors

LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

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

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

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

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

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

DIRECTOR'S SERVICE CONTRACTS OR APPOINTMENT LETTERS

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

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

Mr. JIANG Feng has been appointed as a non-executive Director and entered into a service contract with the Company for an initial term of three years commencing from 1 April 2014, which is subject to automatic renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing. On 1 April 2017, Mr. JIANG Feng and the Company renewed the appointment letter which is subject to manual renewal every three years. On 26 April 2019, Mr. JIANG further renewed the appointment letter with the Company which is subject to manual renewal every three years.

Mr. FU Feng has been appointed as a non-executive Director and entered into an appointment letter with the Company for an initial term of three years commencing from 28 August 2019, which is subject to manual renewal every three years.

Mr. LIANG Hsien Tse Joseph has been appointed as an independent non-executive Director and entered into a service contract with the Company for an initial term of one year commencing from 10 November 2011, while Mr. ZHOU Luming has been appointed as an independent non-executive Director and entered into a service contract with the Company for an initial term of one year commencing from 1 April 2014, all of which are subject to automatic renewal on an annual basis on the same terms and conditions until terminated by either party giving to the other party not less than one month's notice in writing. On 10 November 2014, each of Mr. LIANG and Mr. ZHOU renewed the service contracts with the Company respectively which is subject to manual renewal every three years on the same terms and conditions until terminated by either party giving to the other party not less than three months' notice in writing. On 1 April 2017, each of Mr. LIANG and Mr. ZHOU renewed the appointment letters with the Company respectively which is subject to manual renewal every three years. On 26 April 2019, each of Mr. LIANG and Mr. ZHOU further renewed the appointment letters with the Company respectively which is subject to manual renewal every three years.

Mr. WANG Wansong has been appointed as an independent non-executive Director and entered into an appointment letter with the Company for an initial term of three years commencing from 29 January 2016. On 1 April 2017, Mr. WANG Wansong and the Company renewed the appointment letter which is subject to manual renewal every three years. On 26 April 2019, Mr. WANG further renewed the appointment letter with the Company which is subject to manual renewal every three years.

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

EMOLUMENT POLICY

During the year ended 31 December 2019, the Remuneration Committee reviewed the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Company, which are determined with reference to the Group's operating results, individual performance and comparable market practices.

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

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

CONFIRMATION OF INDEPENDENCE

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

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

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

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

Name of Directors/ chief executive	Nature of interest	Number of shares	Percentage of the Company's issued share capital
XIE Yuehui	Interest of controlled corporation and beneficial owner	801,514,928[1]	18.55%
LIU Jianxiong	Beneficial owner	24,940,000[2]	0.58%

1: These interests represented:

(a) 781,914,928 shares held by Xianjian Advanced Technology Limited, which is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director; and

(b) 19,600,000 options granted to Mr. XIE Yuehui on 5 May 2015, which were subject to certain vesting conditions pursuant to the Share Option Scheme, details of which are set out in the section headed "Share Option Scheme" in this annual report.

2: These interests represented:

(a) 8,140,000 shares held by Mr. LIU Jianxiong, our Executive Vice President, executive Director, Chief Financial Officer and company secretary; and

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

Save as disclosed above, as at 31 December 2019, so far as is known to any Directors or chief executives of the Company, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2019, other than the interests of a Director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests and short position in the shares, underlying shares and debentures of the Company and its associated corporations" above, the interests and short positions of persons in the shares and underlying shares of the Company which would fall to be disclosed under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued share capital of the Company, were as follows:

(a) Long positions in shares of the Company

Name of shareholder	Number of shares	Capacity	Percentage of the Company's issued share capital
Xianjian Advanced Technology Limited *(Note 1)*	781,914,928	Beneficial owner	18.10%
Bank of Communications Trustee Limited	303,030,000	Beneficial owner	7.01%
Wellington Investment Advisors Holdings LLP *(Note 2)*	219,195,250	Interest of controlled corporation	5.07%
Wellington Group Holdings LLP *(Note 2)*	219,195,250	Interest of controlled corporation	5.07%
Wellington Management Group LLP *(Note 2)*	219,195,250	Interest of controlled corporation	5.07%
Synergy Summit Limited *(Note 3)*	300,000,000	Beneficial owner	6.94%
Shanghai YiZhen Investments LLP * (上海翊診投資中心(有限合夥)) *(Note 3)*	300,000,000	Interest of controlled corporation	6.94%
Shanghai Everbright Huiyi Equity Investment Fund Management LLP* (上海光控惠醫股權投資基金管理合夥企業 (有限合夥)) *(Note 3)*	300,000,000	Interest of controlled corporation	6.94%
Shanghai Ruiyin Huiyi Investments LLP * (上海睿因惠醫投資中心 (有限合夥)) *(Note 3)*	300,000,000	Interest of controlled corporation	6.94%
Beijing Everbright Anya Investments LLP*(北京光控安雅投資中心(有限合夥)) *(Note 3)*	300,000,000	Interest of controlled corporation	6.94%

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

Name of shareholder	Number of shares	Capacity	Percentage of the Company's issued share capital
Shanghai Everbright Jiaxin Equity Investment Management Limited * (上海光控嘉鑫股權投資管理有限公司) *(Note 3)*	300,000,000	Interest of controlled corporation	6.94%
Shouyu Everbright Assets Management Limited* (首譽光控資產管理有限公司) *(Note 3)*	300,000,000	Interest of controlled corporation	6.94%
Chongqing Everbright Equity Investment Management Limited* (重慶光控股權投資管理有限公司)*(Note 3)*	300,000,000	Interest of controlled corporation	6.94%
Yixing Everbright Investments Limited* (宜興光控投資有限公司)*(Note 3)*	300,000,000	Interest of controlled corporation	6.94%
Chengdu Everbright Medical Health Venture Capital Management Limited* (成都光控醫療健康創業投資管理有限公司) *(Note 3)*	300,000,000	Interest of controlled corporation	6.94%
CEL Venture Capital(Shenzhen) Co., Ltd.* (光大控股創業投資(深圳)有限公司) *(Note 3)*	300,000,000	Interest of controlled corporation	6.94%
China Everbright Financial Investments Limited *(Note 3)*	322,000,000	Beneficial owner	7.45%
Emporium (HK) Limited *(Note 3)*	322,000,000	Interest of controlled corporation	7.45%
China Everbright Limited *(Note 3)*	622,000,000	Interest of controlled corporation	14.39%
Everbright Investment & Management Limited *(Note 3)*	622,000,000	Interest of controlled corporation	14.39%
China Everbright Holdings Company Limited *(Note 3)*	622,000,000	Interest of controlled corporation	14.39%
Honorich Holdings Limited *(Note 3)*	622,000,000	Interest of controlled corporation	14.39%
Datten Investments Limited *(Note 3)*	622,000,000	Interest of controlled corporation	14.39%
China Everbright Group Ltd.* (中國光大集團股份公司) *(Note 3)*	622,000,000	Interest of controlled corporation	14.39%
Central Huijin Investment Ltd. *(Note 3)*	622,000,000	Interest of controlled corporation	14.39%

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

Note 1: The entire issued share capital of Xianjian Advanced Technology Limited is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director.

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

Note 3: The issued share capital of the Company is held as to 6.94% and 7.45% by Synergy Summit Limited and China Everbright Financial Investments Limited, respectively. The entire issued share capital of Synergy Summit Limited is wholly controlled by Shanghai YiZhen Investments LLP* (上海翊診投資中心(有限合夥)), which in turn is wholly owned by China Everbright Limited. The entire issued share capital of China Everbright Financial Investments Limited is wholly controlled by Emporium (HK) Limited, which in turn is wholly owned by China Everbright Limited. Shanghai YiZhen Investments LLP* (上海翊診投資中心(有限合夥)) is controlled as to 0.07% and 99.93 respectively by Shanghai Everbright Huiyi Equity Investment Fund Management LLP* (上海光控惠醫股權投資基金管理合夥企業(有限合夥)) and Shanghai Ruiyin Huiyi Investments LLP* (上海睿因惠醫投資中心 (有限合夥)), which Shanghai Ruiyin Huiyi Investments LLP* (上海睿因惠醫投資中心(有限合夥)) is held as to 0.62% and 74.53% respectively by Shanghai Everbright Huiyi Equity Investment Fund Management LLP* (上海光控惠醫股權投資基金管理合夥企業(有限合夥)) and Beijing Everbright Anya Investments LLP* (北京光控安雅投資中心(有限合夥)) and Shanghai Everbright Huiyi Equity Investment Fund Management LLP* (上海光控惠醫股權投資基金管理合夥企業(有限合夥)) is held as to 5% and 95% respectively by Chengdu Everbright Medical Health Venture Capital Management Limited* (成都光控醫療健康創業投資管理有限公司) and Yixing Everbright Investments Limited* (宜興光控投資有限公司). Chengdu Everbright Medical Health Venture Capital Management Limited* (成都光控醫療健康創業投資管理有限公司) is wholly owned by Yixing Everbright Investments Limited* (宜興光控投資有限公司). Beijing Everbright Anya Investments LLP* (北京光控安雅投資中心(有限合夥)) is held as to 0.02% and 99.98% by Shanghai Everbright Jiaxin Equity Investment Management Limited* (上海光控嘉鑫股權投資管理有限公司) and Shouyu Everbright Assets Management Limited* (首譽光控資產管理有限公司), which Shanghai Everbright Jiaxin Equity Investment Management Limited* (上海光控嘉鑫股權投資管理有限公司) in turn is wholly owned by Chongqing Everbright Equity Investment Management Limited* (重慶光控股權投資管理有限公司) and Shouyu Everbright Assets Management Limited* (首譽光控資產管理有限公司), is held as to 49% by Chongqing Everbright Equity Investment Management Limited* (重慶光控股權投資管理有限公司). The issued share capital of Chongqing Everbright Equity Investment Management Limited* (重慶光控股權投資管理有限公司) is wholly controlled by Yixing Everbright Investments Limited* (宜興光控投資有限公司) , which in turn is wholly owned by CEL Venture Capital (Shenzhen) Co., Ltd.* (光大控股創業投資(深圳)有限公司). CEL Venture Capital (Shenzhen) Co., Ltd.* (光大控股創業投資(深圳)有限公司) is wholly owned by China Everbright Limited. China Everbright Limited is controlled as to 49.39% by Honorich Holdings Limited, which in turn is wholly owned by Datten Investments Limited. Datten Investments Limited is wholly owned by China Everbright Holdings Company Limited, which in turn is wholly owned by China Everbright Group Ltd.* (中國光大集團股份公司). China Everbright Group Ltd.* (中國光大集團股份公司) is controlled as to 55.67% by Central Huijin Investment Ltd..

Save as disclosed above, as at 31 December 2019, the Directors have not been notified by any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from the details as disclosed under the heading "Directors' and chief executive's interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company has adopted the Share Option Scheme on 22 October 2011 and the Share Option Scheme has been amended by an unanimous written resolutions of the Board on 5 May 2015. Such amendment to the Share Option Scheme was made due to the transfer of listing of the shares of the Company from GEM of the Stock Exchange to the Main Board of the Stock Exchange and in order to ensure that the references and margin notes quoted and referred to therein are in compliance and consistent with the Listing Rules.

1. Purpose of the Share Option Scheme

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

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

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

3. Maximum number of shares

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

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

4. **Maximum entitlement of each participant**

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

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

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

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

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

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

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

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

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

(iii) the nominal value of a share.

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

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

The table below sets out details of the outstanding options granted to the Directors and other grantees under the Share Option Scheme and movements during the period from 1 January 2019 to 31 December 2019:

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

Name	Date of grant	Vesting schedule	Option period	Exercise price	Number of shares: Granted on the date of grant	Outstanding as at 1 January 2019	Exercised during the year ended 31 December 2019	Cancelled/ Lapsed during the year ended 31 December 2019	Outstanding as at 31 December 2019
Other Grantees									
Aggregate of other Grantees	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HK$1.464	104,800,000	44,604,000	(866,000)	(5,722,800)	38,015,200
	10 May 2018	20% of options on 10 May 2019, 2020, 2021, 2022 and 2023 respectively	10 years from the date of grant	HK$2.630	104,472,000	102,872,000	–	(102,872,000)	–
	29 August 2018	20% of options on 29 August 2019, 2020, 2021, 2022 and 2023 respectively	10 years from the date of grant	HK$2.060	5,400,000	5,400,000	–	(5,400,000)	–
Sub-total					214,672,000	152,876,000	(866,000)	(113,994,800)	38,015,200
Total					366,680,000	304,884,000	(866,000)	(210,802,800)	93,215,200

SHARE AWARD SCHEME

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

The Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No shareholders' approval is required to adopt the Share Award Scheme. As at 31 December 2019, no Share Award has been granted to any Eligible Participant.

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

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

On 29 May 2019, the New Trustee acquired from the Vendor, the Sale Shares, representing approximately 6.93% of the issued share capital of the Company as at the date of such acquisition. The New Trustee will hold the Sale Shares on trust for the beneficiaries, i.e. the core team members and employees of the Company, including Directors and senior management of the Company, in accordance with the trust deed entered into between Company and the New Trustee on 15 May 2019 and the Share Award Scheme. For more details, please refer to the announcement of the Company dated 29 May 2019.

Pursuant to the Share Award Scheme, the New Trustee purchased a total of 12,620,000 shares of the Company at cash consideration of HKD17,236,520 on the Stock Exchange during the year ended 31 December 2019.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No Director nor any connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which a controlling shareholder of the Company, or any of the Company's subsidiaries or fellow subsidiaries was a party at any time during the year ended 31 December 2019.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, there were no contract of significance in relation to the Group's business in which the Company, or any of its subsidiaries or fellow subsidiaries or a controlling shareholder of the Company was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 December 2019 or at any time during the year ended 31 December 2019.

PERMITTED INDEMNITY PROVISION

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

During the year ended 31 December 2019, permitted indemnity provision as defined in the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong) was in force for indemnity against liability incurred by Directors, to a third party.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Share purchase pursuant to Share Award Scheme

On 28 December 2018, the Purchaser (a wholly-owned subsidiary of the Former Trustee), the Former Trustee, the Vendor and the Company entered into the Agreement, pursuant to which the Purchaser, as instructed by the Company, conditionally agreed to purchase, with funding to be provided by the Company, and the Vendor conditionally agreed to sell, an aggregate of not more than 300,000,000 Shares at a consideration of HK$369,000,000, for the purpose of the Share Award Scheme. As the Vendor is a connected person of the Company, the transaction under the Agreement constitutes a deemed connected transaction of the Company as the Company was funding the Purchaser's acquisition of 300,000,000 Shares. For more details, please refer to the circular of the Company dated 7 March 2019 and poll results announcement of the Company dated 22 March 2019.

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

On 29 May 2019, the New Trustee acquired from the Vendor, the wholly-owned subsidiary of China Everbright, 300,000,000 Sale Shares. For more details, please refer to the announcement of the Company dated 29 May 2019.

Formation of a Joint Venture

On 16 September 2019, Lifetech Shenzhen entered into a capital increase agreement (the "Capital Increase Agreement") with Shenzhen Xinyuan Investment Enterprise LLP ("Shenzhen Xinyuan", a limited liability partnership). Pursuant to the Capital Increase Agreement, Lifetech Shenzhen and Shenzhen Xinyuan have agreed to jointly increase the registered capital of the JV Company to RMB30.0 million in accordance with the agreed contribution ratio of 70% and 30%, respectively. The contribution will be borne by Lifetech Shenzhen as to RMB11.47 million and Shenzhen Xinyuan as to RMB9.0 million.

On 16 September 2019, Lifetech Shenzhen, Shenzhen Xinyuan and the JV Company entered into a shareholders agreement to regulate the operation, management, shareholding relationships and further capital contribution obligations in the JV Company (the "Shareholders Agreement"). Under the Shareholders Agreement, Lifetech Shenzhen and Shenzhen Xinyuan have agreed to contribute in aggregate a further amount not exceeding RMB61.46 million and RMB26.34 million respectively in proportion to their shareholding interest.

The formation of the JV Company and deemed disposal contemplated under the Capital Increase Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 16 September 2019.

Operation of the JV Company

On 8 November 2019, Lifetech Shenzhen as the transferor entered into a technology transfer agreement with the JV Company as the transferee (the "Technology Transfer Agreement"). Pursuant to the Technology Transfer Agreement, Lifetech Shenzhen agreed to transfer the patents in relation to the project of IBS Angel™ iron alloy bioabsorbable stent system for blood vessels in lungs ("IBS Angel") and the patents in relation to the project of IBS Titan™ iron alloy bioabsorbable peripheral stent system ("IBS Titan") to the JV Company. Lifetech Shenzhen agreed to dispose of the patents at a total consideration of RMB11.47 million. The deemed disposal contemplated under the Technology Transfer Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. For details, please refer to the Company's announcement dated 8 November 2019.

Related party transaction

In 2019, the related party transactions as set out in the Note 40 to the consolidated financial statements in this annual report (other than the above-mentioned) are not "connected transactions" or "continuing connected transactions" of the Company. The Company has complied with the disclosure requirements in Chapter 14A of the Listing Rules, where applicable.

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

During the year ended 31 December 2019, the Company repurchased 9,414,000 of the Company's listed securities, and the details of the shares repurchased by the Company through the Stock Exchange are shown as follows:

Date of repurchase	No. of share	Price per share Highest HKD	Price per share Lowest HKD	Aggregate consideration paid HKD
3 January 2019	1,000,000	1.47	1.43	1,447,740
24 May 2019	1,000,000	1.47	1.43	1,456,260
27 May 2019	200,000	1.48	1.48	296,000
6 June 2019	1,500,000	1.49	1.45	2,207,500
12 June 2019	300,000	1.41	1.41	423,000
13 June 2019	1,000,000	1.44	1.42	1,431,620
14 June 2019	1,000,000	1.42	1.40	1,410,000
27 June 2019	1,662,000	1.42	1.39	2,334,300
28 June 2019	752,000	1.43	1.42	1,072,840
3 July 2019	1,000,000	1.41	1.41	1,410,000
Total	9,414,000			13,489,260

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

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2019 and save as disclosed in the Prospectus, the Directors were not aware of any business or interest of the Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

BANK BORROWINGS

The Group has recorded bank borrowings of approximately RMB330.3 million as at 31 December 2019 (2018: approximately RMB24.0 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 2019.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the 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 2019.

CORPORATE GOVERNANCE

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

AUDITORS

The consolidated financial statements in this annual report have been audited by Deloitte Touche Tohmatsu. There has been no change in the auditors of the Company during the year ended 31 December 2019. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

XIE Yuehui

Chairman, Executive Director and Chief Executive Officer

30 March 2020

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of LifeTech Scientific Corporation (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 56 to 156, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Capitalisation of development costs	
We identified the capitalisation of development costs as a key audit matter due to its significance to the consolidated financial statements and the significant degree of management judgement involved to determine the expenditure to be capitalised. As disclosed in note 18 to the consolidated financial statements, the carrying amount of the Group's development cost is RMB216,138,000 as at 31 December 2019. The Group capitalises significant costs incurred for the development of certain products related to structural heart diseases and peripheral vascular diseases as development costs. Details of the criteria for the expenditure to be capitalised are disclosed in notes 3 and 4 to the consolidated financial statements. The capitalisation involved management's judgement in assessing whether technical and commercial feasibility had been achieved for each of the projects. The assessment of technical feasibility is based on the management assessment of results of product testing. The assessment of commercial feasibility is based on the profit forecast of each development project prepared by the management based on certain key assumptions, including revenue to be generated, budget costs and relevant market analysis.	Our procedures in relation to the capitalisation of development costs included: • Understanding and testing the Group's key control in relation to capitalisation of development costs; • Obtaining the commercial and technical feasibility report provided by the management and assessing the reasonableness of the commercial and technical feasibility study by reference to the industry and market information; • Obtaining the product testing reports provided by the management and enquiring the management about the technical feasibility of each product; • Performing an analysis of expenditure incurred for each development project and enquired with the management regarding the progress of each project to determine if the criteria for capitalisation were met; • Testing, on a sample basis, the expenditure being capitalised to source documents; and • Obtaining the profit forecast prepared by the management for each development project and assessing the appropriateness of key assumptions, including revenue generated, budget costs to be incurred and relevant market analysis associated with the development project.

Key audit matter	How our audit addressed the key audit matter
Provision of expected credit losses ("ECL") for trade receivables	
We identified the estimated provision of ECL for trade receivables as a key audit matter due to the significant balance of trade receivables to the consolidated statement of financial position and the significant degree of management judgement involved in recognising impairment loss on trade receivables. As disclosed in notes 4 and 23 to the consolidated financial statements, the provision of ECL was assessed by the management based on valuations prepared by an independent qualified professional valuer. The ECL was assessed based on provision matrix. In determining the ECL using the provision matrix, it is based on historical default rates taking into consideration both quantitative and qualitative information that is reasonable and supportable including forward-looking information that is available. The carrying amounts of trade receivables of the Group amounted to RMB72,549,000, net of loss allowance of ECL amounting to RMB5,648,000 as at 31 December 2019.	Our procedures in relation to evaluating the sufficiency of the estimated impairment of trade receivables included: • Understanding the management process of assessing the estimated impairment loss on trade receivables; • Assessing the reasonableness of the methods and assumptions used in the Group's ECL with reference to the historical default rates and forward-looking information of trade receivables; • Discussing with management and independent qualified professional valuer including: — the credit quality of the customers, such as past default history, aging analysis and historical settlement pattern; and — the provision rates, internal credit ratings, historical default rates and forward-looking information. • Evaluating the independent qualified professional valuer's competence, capabilities and objectivity; and • Testing, on a sample basis, the accuracy of the aging analysis of trade receivables.

Key audit matter	How our audit addressed the key audit matter
Financial assets at fair value through profit or loss	
We identified the financial assets at FVTPL as a key audit matter due to the material balance and significant management judgement involved as the valuations of investments are inherently subjective, particularly in the use of unobservable inputs for the Level 3 valuations. As disclosed in notes 4, 20 and 38(c) to the consolidated financial statements, the fair values of the investments were assessed by the management based on valuations prepared by an independent qualified professional valuer. The management has also reviewed the key assumptions, inputs and method of the valuation model. The total gain from changes in fair value were amounted to RMB7,142,000 for the year ended 31 December 2019 and the carrying amounts of financial assets at FVTPL of the Group amounted to RMB179,888,000 as at 31 December 2019.	Our procedures in relation to evaluating the financial assets at FVTPL included: • Understanding the structure of the investments and assessing the key assumptions, inputs and method of the valuation model; • Engaging our internal valuation specialists to review the reasonableness of the assumptions, inputs and method of the valuation model used by the independent qualified professional valuer; • Evaluating the independent qualified professional valuer's competence, capabilities and objectivity; • Checking arithmetical accuracy of the calculations; and • Evaluating the appropriateness on the classification and adequacy of disclosure in accordance with the requirements of relevant IFRSs.

Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 RMB'000	2018 RMB'000
Revenue	5	**668,879**	556,698
Cost of sales		**(134,059)**	(101,677)
Gross profit		**534,820**	455,021
Other income, expenses, gains and losses	6	**94,254**	51,023
Impairment losses under expected credit loss model, net of reversal	7	**(344)**	(1,677)
Selling and distribution expenses		**(166,468)**	(129,633)
Administration expenses		**(132,395)**	(95,345)
Research and development expenses		**(141,112)**	(115,200)
Operating profit		**188,755**	164,189
Finance (cost) income, net	8	**(17,881)**	2,999
Share of results of associates	19	**(63)**	—
Profit before tax	9	**170,811**	167,188
Income tax expense	11	**(43,647)**	(45,835)
Profit for the year		**127,164**	121,353
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**11**	186
Total comprehensive income for the year		**127,175**	121,539
Profit (loss) for the year attributable to:			
Owners of the Company		**129,200**	121,082
Non-controlling interests		**(2,036)**	271
		127,164	121,353
Total comprehensive income (expense) attributable to:			
Owners of the Company		**129,211**	121,268
Non-controlling interests		**(2,036)**	271
		127,175	121,539
Earnings per share	13		
– Basic		**RMB3.1 cents**	RMB2.8 cents
– Diluted		**RMB3.1 cents**	RMB2.8 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	31 December 2019 RMB'000	31 December 2018 RMB'000
Non-current assets			
Property, plant and equipment	14	**366,373**	348,246
Right-of-use assets	15	**81,810**	—
Prepaid lease payments	16	**—**	29,659
Investment properties	17	**150,187**	137,679
Intangible assets	18	**258,912**	202,536
Interests in associates	19	**3,437**	—
Financial assets at fair value through profit or loss	20	**179,888**	169,865
Deposits for acquisition of property, plant and equipment		**3,518**	4,481
Deferred tax assets	21	**32,300**	30,681
Pledged bank deposits	25	**90,000**	30,000
		1,166,425	953,147
Current assets			
Inventories	22	**99,125**	70,735
Trade receivables	23	**72,549**	91,105
Other receivables and prepayments	24	**85,100**	57,301
Prepaid lease payments	16	**—**	1,267
Fixed bank deposits	25	**50,000**	5,000
Bank balances and cash	25	**299,027**	352,577
		605,801	577,985
Current liabilities			
Trade and other payables	26	**173,164**	162,063
Tax payables		**37,573**	39,798
Lease liabilities	30	**11,660**	—
Bank borrowings	29	**113,418**	2,402
Contract liabilities	27	**5,408**	4,008
		341,223	208,271
Net current assets		**264,578**	369,714
Total assets less current liabilities		**1,431,003**	1,322,861
Non-current liabilities			
Deferred income - Government grants	28	**40,968**	57,352
Lease liabilities	30	**11,526**	—
Bank borrowings	29	**216,847**	21,619
		269,341	78,971
Net assets		**1,161,662**	1,243,890

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTE	31 December 2019 RMB'000	31 December 2018 RMB'000
Capital and reserves			
Share capital	31	**35**	35
Reserves		**1,151,977**	1,240,394
Equity attributable to owners of the Company		**1,152,012**	1,240,429
Non-controlling interests		**9,650**	3,461
Total equity		**1,161,662**	1,243,890

The consolidated financial statements on pages 56 to 156 were approved and authorised for issue by the board of directors on 30 March 2020 and are signed on its behalf by:

Mr Xie Yuehui
Executive Director and Chairman

Mr Liu Jianxiong
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	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	Share held for Share Award Scheme RMB'000 (Note iv)	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Treasury shares RMB'000 (Note iii)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2018	35	785,303	492	50,103	57,399	–	(3)	32,531	–	122,986	1,048,846	3,190	1,052,036
Profit for the year	–	–	–	–	–	–	–	–	–	121,082	121,082	271	121,353
Other comprehensive income for the year	–	–	186	–	–	–	–	–	–	–	186	–	186
Total comprehensive income for the year	–	–	186	–	–	–	–	–	–	121,082	121,268	271	121,539
Recognition of equity-settled share-based payments	–	–	–	–	72,338	–	–	–	–	–	72,338	–	72,338
Exercise of share options	–	12,629	–	–	(4,535)	–	–	–	–	–	8,094	–	8,094
Repurchase of ordinary shares (Note iii)	–	–	–	–	–	–	–	–	(10,117)	–	(10,117)	–	(10,117)
Appropriations	–	–	–	156	–	–	–	–	–	(156)	–	–	–
	–	12,629	186	156	67,803	–	–	–	(10,117)	120,926	191,583	271	191,854
At 31 December 2018	35	797,932	678	50,259	125,202	–	(3)	32,531	(10,117)	243,912	1,240,429	3,461	1,243,890
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	129,200	129,200	(2,036)	127,164
Other comprehensive income for the year	–	–	11	–	–	–	–	–	–	–	11	–	11
Total comprehensive income (expense) for the year	–	–	11	–	–	–	–	–	–	129,200	129,211	(2,036)	127,175
Recognition of equity-settled share-based payments	–	–	–	–	131,762	–	–	–	–	–	131,762	–	131,762
Exercise of share options	–	1,727	–	–	(622)	–	–	–	–	–	1,105	–	1,105
Repurchase and cancellation of ordinary shares (Note iii)	–	(21,991)	–	–	–	–	–	–	10,117	–	(11,874)	–	(11,874)
Purchase of shares under Share Award Scheme (Note iv)	–	–	–	–	–	(339,596)	–	–	–	–	(339,596)	–	(339,596)
Acquisition of partial interest in a subsidiary	–	975	–	–	–	–	–	–	–	–	975	(975)	–
Capital contributed by non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	9,200	9,200
Cancellation of share options granted in 2018	–	–	–	–	(181,995)	–	–	–	–	181,995	–	–	–
	–	(19,289)	11	–	(50,855)	(339,596)	–	–	10,117	311,195	(88,417)	6,189	(82,228)
At 31 December 2019	35	778,643	689	50,259	74,347	(339,596)	(3)	32,531	–	555,107	1,152,012	9,650	1,161,662

Notes:

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

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

(iii) During the year ended 31 December 2019, the Company repurchased a total of 9,414,000 shares (2018: 7,710,000 shares) of the Company on The Stock Exchange of Hong Kong Limited of an aggregate consideration (including transaction cost) of approximately RMB11,874,000 (2018: RMB 10,117,000). 8,710,000 shares have been cancelled on 23 January 2019 and 8,414,000 shares have been cancelled on 24 July 2019.

(iv) On 28 December 2018, the Company adopted a share award scheme ("Share Award Scheme"). For the purpose of this scheme, the Company instructed Bank of Communications Trustee Limited (the "Trustee") to purchase an aggregate of 300,000,000 shares from Synergy Summit Limited (the "Vendor"), a substantial shareholder of the Company, with funding provided by the Company. The consideration for the shares was set at HK$1.23 per share, and shares will be granted to any employee, executive and non-executive director of the Company (the "Eligible Participants") who will contribute to the Company. During the year ended 31 December 2019, a total of 300,000,000 shares at a consideration of RMB324,314,000 have been purchased from the Vendor in accordance with the Share Award Scheme, and none of these shares have been granted to Eligible Participants yet.

During the year ended 31 December 2019, the Company instructed the Trustee to repurchase 12,620,000 ordinary shares from market at a consideration of RMB 15,282,000 in accordance with the Share Award Scheme. These shares will be further granted to Eligible Participants and none have been granted as of 31 December 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**170,811**	167,188
Adjustments for:		
Share of results of associates	**63**	—
Depreciation of property, plant and equipment	**29,422**	21,965
Depreciation of right-of-use assets	**13,283**	—
Share-based payment expenses	**125,850**	60,265
Loss on disposal of property, plant and equipment	**76**	237
Amortisation of intangible assets	**6,998**	6,163
Depreciation of investment properties	**5,489**	4,427
Release of prepaid lease payments	**—**	1,266
Write-down on inventories	**2,366**	387
Government grants	**(29,640)**	(5,855)
Finance cost (income), net	**17,881**	(2,999)
Impairment losses under expected credit loss model, net of reversal	**344**	1,677
Unrealised foreign exchange loss (gain)	**3,402**	(12,809)
(Gain) loss from changes in fair value of financial assets at FVTPL	**(7,142)**	8,486
Operating cash flows before movements in working capital	**339,203**	250,398
Increase in inventories	**(30,756)**	(29,381)
Increase in other receivables and prepayments	**(28,386)**	(21,759)
Decrease (increase) in trade receivables	**18,436**	(22,776)
Increase in trade and other payables	**16,419**	39,846
Government grants received for operating activities	**6,161**	4,150
Increase in contract liabilities	**1,400**	2,268
Cash generated from operations	**322,477**	222,746
Income taxes paid	**(47,491)**	(40,446)
NET CASH FROM OPERATING ACTIVITIES	**274,986**	182,300

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
INVESTING ACTIVITIES		
Placement of fixed bank deposits	(110,000)	(5,000)
Placement of pledged bank deposits	(60,000)	(30,000)
Deposits paid for and purchase of property, plant and equipment	(56,592)	(64,423)
Development costs paid	(54,090)	(44,605)
Payments for right-of-use assets/leasehold land	(44,940)	—
Acquisition of investments in associates	(3,500)	—
Payments for intangible assets	(3,372)	(3,070)
Purchase of financial assets at FVTPL	—	(165,542)
Withdrawal of fixed bank deposit	65,000	—
Government grants received for acquisition of plant and equipment	9,150	1,760
Interest received from bank deposits	2,336	3,281
Proceeds from disposal of property, plant and equipment	19	30
NET CASH USED IN INVESTING ACTIVITIES	(255,989)	(307,569)
FINANCING ACTIVITIES		
Purchase of shares under Share Award Scheme	(339,596)	—
Interest paid for bank borrowings	(18,985)	(282)
Repayments of lease liabilities	(12,080)	—
Repurchase and cancellation of ordinary shares	(11,874)	(10,117)
Repayments of bank borrowings	(11,370)	—
Repayments of interests on lease liabilities	(293)	—
Bank borrowings raised	311,331	24,021
Capital contributed by non-controlling interests of subsidiaries	9,200	—
Proceeds from issue of shares upon exercise of share options	1,105	12,118
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(72,562)	25,740
NET DECREASE IN CASH AND CASH EQUIVALENTS	(53,565)	(99,529)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	352,577	451,930
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	15	176
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	299,027	352,577

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

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

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

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

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

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

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

IFRS 16	Leases
IFRIC - Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRS 19	Plan Amendment, Curtailment or Settlement
Amendments to IFRS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015 - 2017 Cycle

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

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

IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("IAS 17") and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC - Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

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

IFRS 16 Leases - *continued*

As a lessee - continued

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.82%.

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	27,344
Lease liabilities discounted at relevant incremental borrowings rates	27,190
Less: Recognition exemption - short-term leases	(444)
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	26,746
Lease liabilities analysed as	
Current	10,996
Non-current	15,750
	26,746

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

IFRS 16 Leases - *continued*

As a lessee - continued

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		26,746
Reclassified from prepaid lease payments	(i)	30,926
Adjustments on rental deposits at 1 January 2019	(ii)	244
Less: Right-of-use assets included in investment properties	(i)	(15,463)
		42,453
By Class		
Leasehold lands		15,463
Lease properties		26,990
		42,453

(i) Upfront payments for leasehold lands in RMB30,926,000 for own used properties were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB1,267,000 and RMB29,659,000 were reclassified to right-of-use assets, respectively, RMB15,463,000 of right-of-use assets that meet the definition of investment property was presented within investment properties.

(ii) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied under other receivables. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, the discounting effect of RMB244,000 was adjusted to refundable rental deposits paid and right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of IFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

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

IFRS 16 Leases - *continued*

As a lessor - continued

The application of IFRS 16 as a lessor has no material impact on the Group's consolidated statement of financial position as at 31 December 2019 and its consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the current year.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under IFRS 16 at 1 January 2019 RMB'000
Non-current Assets				
Prepaid lease payments	(i)	29,659	(29,659)	—
Investment properties	(i)	137,679	15,463	**153,142**
Right-of-use assets	(i)(ii)	—	42,453	**42,453**
Current Assets				
Other receivables				
Rental deposits paid	(ii)	2,222	(244)	**1,978**
Prepaid lease payments	(i)	1,267	(1,267)	—
Current Liabilities				
Lease liabilities		—	10,996	**10,996**
Non-current liabilities				
Lease liabilities		—	15,750	**15,750**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

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

New and amendments to IFRSs issued but not yet effective

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

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and amendments to IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
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 2020.
5 Effective for annual periods beginning on or after 1 January 2022.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in IFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to IAS 1 and IAS 8 *Definition of Material*

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all IFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Investments in associates - *continued*

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Revenue from contracts with customers

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Revenue from contracts with customers - *continued*

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

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

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 2)

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee (upon application of IFRS 16 in accordance with transitions in note 2)

Short-term leases

The Group applies the short-term lease recognition exemption to leases of offices and staff dormitory that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Leases - *continued*

The Group as lessee (upon application of IFRS 16 in accordance with transitions in note 2) - continued

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Leases - *continued*

The Group as lessee (upon application of IFRS 16 in accordance with transitions in note 2) - continued

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Leases - *continued*

The Group as lessee (upon application of IFRS 16 in accordance with transitions in note 2) - continued

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessee (prior to 1 January 2019)

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

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Leases - *continued*

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

The Group as a lessor (upon application of IFRS 16 in accordance with transitions in note 2)

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

Government grants

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments granted at the grant date.

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Share-based payments - *continued*

Equity-settled share-based payment transactions - continued

Share options granted to employeess - continued

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

Taxation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Taxation - *continued*

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

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

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets, and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Property, plant and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets" (upon application of IFRS 16) or "prepaid lease payments" (before application of IFRS 16) in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

If a property becomes an investment property carried at cost model because its use has changed as evidenced by end of owner-occupation, the investment property is stated as historical cost less accumulated depreciation and accumulated impairment losses at the date of transfer.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Investment properties

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

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals.

Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

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

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

Internally-generated intangible assets - research and development expenditure

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Intangible assets - *continued*

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

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

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indicator exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, corporates assets are allocated to individual cash generating units when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, the recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Impairment on property, plant and equipment, right-of-use assets and intangible assets - *continued*

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

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

Inventories

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

Financial instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

All other financial assets are subsequently measured at fair value through profit and loss ("FVTPL"), except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - continued

Classification and subsequent measurement of financial assets - continued

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

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

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

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables. The ECL are assessed individually for debtors with credit-impaired or collectively using a provision matrix with internal credit rating.

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - continued

Impairment of financial assets - continued

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

(i) Significant increase in credit risk

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - continued

Impairment of financial assets - continued

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Financial assets - continued

Impairment of financial assets - continued

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES - *continued*

Financial instruments - *continued*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

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

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

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

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

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

Capitalisation of development costs

As at 31 December 2019, the carrying amount of the Group's development costs is RMB216,138,000 (2018: RMB156,136,000). The capitalisation involved management's judgement in assessing of whether technical and commercial feasibility of each project had been achieved. Technical feasibility are evaluated based on testing results of products and commercial feasibility are evaluated based on forecast with assumptions on revenue to be generated, budget costs to be incurred and relevant market analysis of the relevant product.

Provision of ECL for trade and other receivables

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

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and other receivables are disclosed in notes 38(b), 23 and 24.

Financial assets at fair value through profit or loss

As at 31 December 2019, the fair value of the Group's financial assets at FVTPL is RMB179,888,000 (2018: RMB169,865,000). The determination of fair value of the financial assets involved management's judgement as the valuations of investments are inherently subjective, particularly in the use of unobservable inputs for the Level 3 valuation. The information about the financial assets at FVTPL is disclosed in notes 20 and 38(c).

4. KEY SOURCE OF ESTIMATION UNCERTAINTY - *continued*

Estimated impairment of inventories

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

As at 31 December 2019, the carrying amount of inventories of the Group is RMB99,125,000 (2018: RMB70,735,000), net of accumulated allowance of RMB5,882,000 (2018: RMB3,516,000).

5. REVENUE AND SEGMENT INFORMATION

A. For the year ended 31 December 2019

Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2019		
Segments	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000
Types of goods			
Sales of medical devices	274,367	372,463	22,049
Geographical markets			
PRC	148,477	333,321	22,049
Europe	52,479	17,815	—
Asia, excluding PRC and India	29,722	11,358	—
India	21,346	6,058	—
South America	16,970	3,094	—
Africa	2,486	509	—
Others	2,887	308	—
Total	274,367	372,463	22,049
Timing of revenue recognition			
At a point in time	274,367	372,463	22,049
Sales channel			
Wholesale	274,367	372,463	22,049
Total	274,367	372,463	22,049

5. REVENUE AND SEGMENT INFORMATION - *continued*

A. For the year ended 31 December 2019 - *continued*

Disaggregation of revenue from contracts with customers - *continued*

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

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, also have the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days (2018: 30 to 180 days) upon delivery.

The contracts of selling medical devices have an original expected duration of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. For the year ended 31 December 2018

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

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information

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

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

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

No operating segments have been aggregated in arriving at the reportable segments of the Group.

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

For the year ended 31 December 2019

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
SEGMENT REVENUE						
External sales	274,367	372,463	22,049	668,879	—	668,879
Inter-segment sales	83,339	24,266	2,091	109,696	(109,696)	—
	357,706	396,729	24,140	778,575	(109,696)	668,879
Segment profit (loss)	236,817	302,199	(4,196)	534,820	—	534,820
Unallocated income						
– Finance income						2,336
– Other income and other gains						104,134
Unallocated expense						
– Selling and distribution expenses						(166,468)
– Administration expenses						(132,395)
– Research and development expenses						(141,112)
– Other expenses and losses						(9,880)
– Impairment losses under expected credit loss model, net of reversal						(344)
– Finance costs						(20,217)
– Share of result of associates						(63)
Profit before tax						170,811

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(a) Segment revenue and results - *continued*

For the year ended 31 December 2018

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
SEGMENT REVENUE						
External sales	208,279	342,967	5,452	556,698	–	556,698
Inter-segment sales	86,772	18,195	625	105,592	(105,592)	–
	295,051	361,162	6,077	662,290	(105,592)	556,698
Segment profit (loss)	179,537	280,740	(5,256)	455,021	–	455,021
Unallocated income						
– Finance income						3,281
– Other income and other gains						64,173
Unallocated expense						
– Selling and distribution expenses						(129,633)
– Administration expenses						(95,345)
– Research and development expenses						(115,200)
– Other expenses and losses						(13,150)
– Impairment losses under expected credit loss model, net of reversal						(1,677)
– Finance costs						(282)
Profit before tax						167,188

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

5. REVENUE AND SEGMENT INFORMATION - *continued*

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:

<u>Segment assets</u>

	2019 RMB'000	2018 RMB'000
Operating segments		
Structural heart diseases business	**298,724**	248,116
Peripheral vascular diseases business	**454,185**	436,565
Cardiac pacing and electrophysiology business	**100,612**	108,095
Total segment assets	**853,521**	792,776
Unallocated assets		
Interests in associates	**3,437**	—
Property, plant and equipment	**15,041**	4,344
Right-of-use assets	**81,810**	—
Investment properties	**150,187**	137,679
Deferred tax assets	**32,300**	30,681
Financial assets at FVTPL	**179,888**	169,865
Other receivables and prepayments	**13,011**	7,002
Bank balances and cash	**299,027**	352,577
Fixed bank deposit	**50,000**	5,000
Intangible assets	**3,832**	972
Pledged bank deposit	**90,000**	30,000
Deposits paid for property, plant and equipment	**172**	236
Consolidated assets	**1,772,226**	1,531,132

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(b) Segment assets and liabilities - *continued*

Segment liabilities

	2019 RMB'000	2018 RMB'000
Operating segments		
Structural heart diseases business	**6,268**	7,398
Peripheral vascular diseases business	**8,881**	12,927
Cardiac pacing and electrophysiology business	**183**	2,347
Total segment liabilities	**15,332**	22,672
Unallocated liabilities		
Other payables	**159,480**	141,694
Tax payables	**37,573**	39,798
Government grants	**44,728**	59,057
Bank borrowings	**330,265**	24,021
Lease liabilities	**23,186**	—
Consolidated liabilities	**610,564**	287,242

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

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

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(c) Other segment information

For the year ended 31 December 2019

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:				
Capital expenditure (Note)	64,731	87,875	5,201	157,807
Depreciation of property, plant and equipment	12,068	16,384	970	29,422
Amortisation of intangible assets	2,871	3,897	230	6,998
Write-down on inventories	970	1,318	78	2,366
Impairment loss recognised on trade receivables	49	67	4	120

For the year ended 31 December 2018

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

Note: Capital expenditure includes additions to property, plant and equipment, intangible assets, right-of-use assets (2018: prepaid lease payments) and deposits for property, plant and equipment.

5. REVENUE AND SEGMENT INFORMATION - *continued*

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	
			31 December	31 December
	2019	2018	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000
PRC (country of domicile)	503,847	427,888	862,115	720,428
Europe	70,294	51,054	1,607	1,868
India	27,404	24,130	512	301
Asia, excluding PRC and India	41,080	33,730	3	4
South America	20,064	15,161	—	—
Africa	2,995	1,524	—	—
Others	3,195	3,211	—	—
Total	668,879	556,698	864,237	722,601

Note: Non-current assets excluded financial assets at FVTPL, pledged bank deposits and deterred tax assets as details in note 20, note 25 and note 21 respectively.

(e) Information about major customers

No customer contributed to over 10% of the total sales of the Group during the year of 2019 and 2018.

6. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	2019 RMB'000	2018 RMB'000
Other income and expenses		
Government grants (Note 28)	**29,640**	5,855
Rental income	**49,456**	35,252
Received other receivables previously written-off	**12,054**	6,300
Others	**2,961**	1,316
Depreciation of investment properties	**(5,489)**	(4,427)
	88,622	44,296
Other gains and losses		
Loss on disposal of property, plant and equipment	**(76)**	(237)
Unrealised foreign exchange gain in financial assets at FVTPL	**2,881**	12,809
Net foreign exchange (losses) gains	**(4,315)**	2,641
Gain (loss) from changes in fair value of financial assets at FVTPL	**7,142**	(8,486)
	5,632	6,727
	94,254	51,023

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Net impairment losses recognised on:		
– Trade receivables	**120**	1,425
– Other receivables	**224**	252
	344	1,677

Details of impairment assessment for the year ended 31 December 2019 are set out in note 38.

8. FINANCE (COST) INCOME, NET

	2019 RMB'000	2018 RMB'000
Finance income from:		
Interest income on bank deposits	**2,336**	3,281
Finance cost from:		
Interest expense on bank borrowings	**(18,985)**	(282)
Interest expense on lease liabilities	**(1,232)**	—
	(20,217)	(282)
Finance (cost) income, net	**(17,881)**	2,999

9. PROFIT BEFORE TAX

	2019 RMB'000	2018 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note 10)		
Directors' fees	**432**	424
Salaries, wages and other benefits	**163,873**	132,202
Performance related bonus	**27,569**	23,276
Share-based payment expenses	**131,762**	72,338
Retirement benefits scheme contributions	**14,003**	12,047
Less: capitalised in development costs, construction in progress and inventories	**(25,636)**	(35,300)
	312,003	204,987
Auditor's remuneration (including audit and non-audit services)	**1,800**	1,800
Cost of inventories recognised as expenses (Note i)	**134,059**	101,677
Depreciation of property, plant and equipment	**29,422**	21,965
Depreciation of investment properties	**5,489**	4,427
Depreciation of right-of-use assets	**13,283**	—
Amortisation of intangible assets (Note ii)	**6,998**	6,163
Total depreciation and amortization	**55,192**	32,555
Release of prepaid lease payments	**—**	1,266
Gross rental income from investment properties	**(49,456)**	(35,252)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**5,489**	4,427
	(43,967)	(30,825)

Notes:

(i) For the year end 31 December 2019, cost of inventories recognised as expenses included write-down on inventories of RMB2,366,000 (2018: RMB387,000).

(ii) Amortisation of intangible assets is included in cost of sales, selling and distribution expenses, administration expenses and research and development expenses amounting to approximately RMB800,000 (2018:RMB987,000), RMB146,000 (2018:RMB10,000), RMB427,000 (2018:RMB321,000) and RMB5,625,000 (2018:RMB4,845,000) respectively for the year.

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

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

For the year ended 31 December 2019

	Directors' fee RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors:					
Mr. Xie Yuehui (i)	—	2,649	54	13,551	16,254
Mr. Liu Jianxiong	—	2,684	54	10,256	12,994
Mr. Zhang Deyuan (ii)	—	534	15	3,876	4,425
Non-executive directors:					
Mr. Jiang Feng	108	—	—	—	108
Mr. Fu Feng (iii)	—	—	—	—	—
Independent non-executive directors:					
Mr. Liang Hsien Tse Joseph	108	—	—	—	108
Mr. Zhou Luming	108	—	—	—	108
Mr. Wang Wansong	108	—	—	—	108
	432	5,867	123	27,683	34,105

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

For the year ended 31 December 2018

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

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

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

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

During the year, certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 33 to the Group's consolidated financial statements.

Notes:

(i) Mr. Xie Yuehui also serves as the chief executive of the Company. His emoluments include services rendered as chief executive.

(ii) Mr. Zhang Deyuan was resigned as executive director of the Company on 28 March 2019.

(iii) Mr. Fu Feng was appointed as non-executive director on 28 August 2019.

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

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

Of the five individuals with the highest emoluments in the Group, three (2018: three) were directors (one of them is also the Chief Executive Officer) whose emoluments are included above. The emoluments of the remaining two (2018: two) individuals were as follows:

	2019 RMB'000	2018 RMB'000
Employees		
– share-based payment	**4,496**	3,859
– salaries and other benefits	**2,784**	1,997
– performance related bonus	**809**	779
– contributions to retirement benefits scheme	**141**	143
	8,230	6,778

Their emoluments were within the following bands:

	2019 Number of employees	2018 Number of employees
HKD3,500,001 to HKD4,000,000	**1**	1
HKD4,000,001 to HKD4,500,000	**—**	1
HKD5,500,001 to HKD6,000,000	**1**	—
	2	2

For each of the two years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the directors and the chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, none of the directors nor the chief executive waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

11. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	**38,914**	37,135
Hong Kong Profits Tax	**6,352**	4,400
Withholding tax on inter-company dividends	**—**	13,857
Deferred tax credit (Note 21):		
Current year	**(1,619)**	(9,557)
	43,647	45,835

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

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that one major operating subsidiary in the PRC was qualified as High and New Technology Enterprise since 2009, and is entitled to a preferential income tax rate of 15%. The qualification of High and New Technology Enterprises is subject to review once every three years and is extended for further three years from August 2017. This major operating subsidiary continued to be recognised as a Hi-Tech enterprise for the two years ended 31 December 2019 and 2018.

Under the EIT Law, a withholding tax on dividends is required upon dividend income earned by a non-PRC resident enterprise. The withholding tax is calculated at 10% of dividend income received from a non-PRC resident enterprise during the year end 31 December 2018 (2019: nil).

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.

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

11. 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:

	2019 RMB'000	2018 RMB'000
Profit before tax	**170,811**	167,188
Tax at the applicable tax rate of 15% (2018: 15%) (Note)	**25,622**	25,078
Tax effect of expenses not deductible for tax purpose	**18,381**	9,885
Tax effect of tax losses not recognised	**5,989**	712
Utilisation of tax losses not recognised in previous years	**(5)**	(129)
Tax effect of additional deductible research and development expenditure	**(6,584)**	(3,307)
Tax effect of income not taxable for tax purpose	**(327)**	(438)
Tax concession under two-tiered profits tax rates regime	**(165)**	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**736**	342
Withholding tax on inter-company dividends	**—**	13,857
Income tax expense for the year	**43,647**	45,835

Note: Pursuant to the relevant law and regulations in the PRC, Lifetech Scientific (Shenzhen) Co., Ltd, a wholly-owned subsidiary of the Group generates the most revenue in the Group was approved as Hi-Tech Enterprise and entitled to 15% PRC enterprise income tax for three years from August 2017 to August 2020 and accordingly, PRC Enterprise Income Tax was provided at 15% for the year ended 31 December 2019.

12. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2019 and 2018, nor any dividend proposed since the end of the reporting period.

13. EARNINGS PER SHARE

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

	2019 RMB'000	2018 RMB'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	**129,200**	121,082

	2019 '000	2018 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,140,262**	4,334,345
Effect of dilutive potential ordinary shares:		
Share options	**1,644**	25,878
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**4,141,906**	4,360,223

14. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Construction in progress RMB'000	Plant and machinery RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST							
At 1 January 2018	129,760	135,075	74,310	13,038	15,262	4,998	372,443
Exchange realignment	—	—	(6)	—	(10)	—	(16)
Additions	—	41,990	7,330	4,171	5,517	813	59,821
Transfer	33,783	(172,140)	126,203	—	—	—	(12,154)
Disposals	—	—	(590)	—	(1,601)	(435)	(2,626)
At 31 December 2018	163,543	4,925	207,247	17,209	19,168	5,376	417,468
Exchange realignment	—	—	(3)	—	(10)	—	(13)
Additions	—	39,022	6,296	668	4,091	105	50,182
Transfer to investment property	—	(2,534)	—	—	—	—	(2,534)
Transfer from construction in progress	29,289	(31,719)	384	—	2,046	—	—
Disposals	—	—	(137)	—	(640)	—	(777)
At 31 December 2019	**192,832**	**9,694**	**213,787**	**17,877**	**24,655**	**5,481**	**464,326**
ACCUMULATED DEPRECIATION							
At 1 January 2018	2,163	—	26,190	10,602	8,659	2,008	49,622
Exchange realignment	—	—	(3)	—	(3)	—	(6)
Provided for the year	4,772	—	11,433	2,945	2,340	475	21,965
Eliminated on disposals	—	—	(471)	—	(1,475)	(413)	(2,359)
At 31 December 2018	6,935	—	37,149	13,547	9,521	2,070	69,222
Exchange realignment	—	—	(4)	—	(5)	—	(9)
Provided for the year	5,770	—	18,662	1,591	2,884	515	29,422
Eliminated on disposals	—	—	(107)	—	(575)	—	(682)
At 31 December 2019	**12,705**	**—**	**55,700**	**15,138**	**11,825**	**2,585**	**97,953**
CARRYING VALUES							
At 31 December 2019	**180,127**	**9,694**	**158,087**	**2,739**	**12,830**	**2,896**	**366,373**
At 31 December 2018	156,608	4,925	170,098	3,662	9,647	3,306	348,246

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

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

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2019			
Carrying amount	15,463	26,990	42,453
As at 31 December 2019			
Carrying amount	59,246	22,564	81,810
For the year ended 31 December 2019			
Depreciation charge	1,157	12,126	13,283
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of IFRS 16			444
Total cash outflow for leases			57,515
Addition to right-of-use assets			52,640

For both years, the Group leases various offices, warehouses and staff dormitories. Lease contracts are entered into for fixed term of 5 months to 6 years. Lease terms are negotiated on individual basis and contain different terms. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly enters into short-term leases for offices and staff dormitories. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense amounted to RMB444,000 disclosed in note 2.

In addition, lease liabilities of RMB23,186,000 are recognised with related right-of-use assets of RMB22,564,000 as at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes. As at 31 December 2019, the Group has no lease commitments as leasee.

16. PREPAID LEASE PAYMENTS

	31 December 2018 RMB'000
Analysed for reporting purposes as:	
Current asset	1,267
Non-current asset	29,659
	30,926

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

17. INVESTMENT PROPERTIES

The Group leases out office buildings under operating leases with rentals payable monthly. The leases typically run for a period of 1 to 10 years with fixed monthly lease payments except a lease of the underground floor of investment property which contains variable lease payment that is based on 6% to 7% annual sales of lessee and minimum annual lease payment that is fixed over the lease term.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	RMB'000
COST	
At 1 January 2018	133,250
Additions	12,154
At 31 December 2018	145,404
Adjustment upon application of IFRS 16	19,161
At 1 January 2019 (restated)	164,565
Transfer from property, plant and equipment	2,534
At 31 December 2019	**167,099**
DEPRECIATION	
At 1 January 2018	3,298
Provided for the year	4,427
At 31 December 2018	7,725
Adjustment upon application of IFRS 16	3,698
At 1 January 2019 (restated)	11,423
Provided for the year	5,489
At 31 December 2019	**16,912**
CARRYING VALUES	
At 31 December 2019	**150,187**
At 31 December 2018	137,679

17. INVESTMENT PROPERTIES - *continued*

The estimated fair value of the Group's investment properties at 31 December 2019 was RMB561,013,000 (2018: RMB660,609,000). The estimated fair value has been arrived at on the basis of valuations carried out on 31 December 2019 and 31 December 2018 the respective dates by 深圳中科華資產評估有限公司 independent qualified professional valuers not connected with the Group.

The fair value of the investment properties of the Group were determined either based on income capitalisation approach or direct comparison approach. For those determined based on the income capitalisation approach, the market rentals of all lettable units of the properties under current leases are assessed and discounted at the market yield expected by investors. The market discount rate is determined by reference to the yields derived from analysing the sales transactions of similar properties and adjusted transaction price to reflect location, size, age and maintenance to the Group's investment properties. For those determined based on direct comparison approach, the fair value of the investment properties were determined by reference to the market transaction prices of similar properties in the neighbourhood, and adjusted based on the location, size, age and maintenance of the property.

In estimating the fair value of the properties, the highest and best use of the properties is their current use and the fair value measurements for all of the Group's properties are categorised as Level 3. There has been no change of the valuation technique used from the prior year.

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

18. INTANGIBLE ASSETS

	Patents RMB'000	Licences RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
COST					
At 1 January 2018	52,209	2,679	3,959	102,216	161,063
Additions	2,566	—	504	53,920	56,990
At 31 December 2018	54,775	2,679	4,463	156,136	218,053
Additions	2,381	—	991	60,002	63,374
At 31 December 2019	**57,156**	**2,679**	**5,454**	**216,138**	**281,427**
ACCUMULATED AMORTISATION					
At 1 January 2018	4,543	2,679	2,132	—	9,354
Provided for the year	5,004	—	1,159	—	6,163
At 31 December 2018	9,547	2,679	3,291	—	15,517
Provided for the year	6,160	—	838	—	6,998
At 31 December 2019	**15,707**	**2,679**	**4,129**	**—**	**22,515**
CARRYING VALUES					
At 31 December 2019	**41,449**	**—**	**1,325**	**216,138**	**258,912**
At 31 December 2018	45,228	—	1,172	156,136	202,536

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

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

All of the Group's computer software was acquired from third parties. Licences and certain of the above patents were purchased as part of a business combination in prior years. As at 31 December 2019, patents with carrying amount of RMB30,628,000 (2018: RMB34,899,000) were internally generated.

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

19. INVESTMENTS IN ASSOCIATES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Cost of investment in associates	**3,500**	—
Share of post-acquisition profits and other comprehensive income	**(63)**	—
	3,437	—

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

Name of entities	Country of incorporation	Place of business	Proportion of ownership interest held by the Group 2019	Principle activity
深圳高性能醫療器械國家研究院有限公司 ("Joint Laboratory") (Note 1)	The PRC	The PRC	12.5%	Developing medical devices
深圳市尚品雲麻科技有限公司（「尚品雲麻」）(Note 2)	The PRC	The PRC	49%	Operating E-commerce

Notes:

1) The Group is able to exercise significant influence over Joint Laboratory because the Group is entitled to appoint one of the five directors of that company under its Articles of Association.

2) The Group holds 60% shares of 深圳市雲麻生物科技有限公司("雲麻生物"), a subsidiary of the Group, which holds 49% equity interests of 尚品雲麻, and serves as the largest shareholder of 尚品雲麻. The remaining shareholders hold 26% and 25% equity interests of 尚品雲麻 respectively. Under the Article of Association of 尚品雲麻, shareholders have rights to make managerial decisions and therefore the Group has significant influence over 尚品雲麻。

Joint Laboratory was established on 27 September 2019 and 尚品雲麻 was established on 16 October 2019. During the year, Joint Laboratory recognised a profit of RMB6,000 and 尚品雲麻 recognised a loss of RMB129,000 and the Company recognised share of profit or loss accordingly. Financial information of these two companies has not been disclosed since these two associates are immaterial to the Group.

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 RMB'000	2018 RMB'000
Financial assets mandatorily measured at FVTPL:		
Unlisted participating shares (Note)	**146,924**	135,343
Unlisted fund	**32,964**	34,522
	179,888	169,865

Note: As at 31 December 2019, the unlisted participating shares are used to secure the Group's Hong Kong Dollar bank borrowing amounted to RMB260,678,000 (2018: nil).

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

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

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

The shares of ABG-Grail and capital commitment of the Fund held by the Group represent approximately 27% and 10% of the issued share capital of ABG-Grail and the Fund respectively as at 31 December 2019 and 31 December 2018.

ABG-Grail and the Fund are accounted for as financial assets at FVTPL in accordance with IFRS 9. Details of the fair value measurement of ABG-Grail and the Fund are disclosed in note 38(c). In the opinion of the directors of the Company, ABG-Grail and the Fund are held for long-term strategic investment purposes and as such, the investments are classified as non-current.

The fair values of ABG-Grail and the Fund is determined by an independent professional valuer, GW Financial Advisory Services Limited. Details about valuation techniques and key inputs are disclosed in note 38(c).

21. DEFERRED TAX ASSETS

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2019 RMB'000	31 December 2018 RMB'000
Deferred tax assets	**32,300**	30,681

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

	Government grant RMB'000	Impairment loss on financial assets RMB'000	Impairment loss on inventories RMB'000	Share option incentive RMB'000	Unrealised profit on inventories RMB'000	Right-of-use assets and lease liabilities RMB'000	Others RMB'000	Total RMB'000
At 1 January 2018	8,979	718	414	3,827	3,345	—	3,841	21,124
Credit (charge) for the year	8	252	(93)	4,407	4,444	—	539	9,557
At 31 December 2018	8,987	970	321	8,234	7,789	—	4,380	30,681
(Charge) credit to profit or loss	(2,149)	52	418	(3,864)	640	(148)	6,670	1,619
At 31 December 2019	**6,838**	**1,022**	**739**	**4,370**	**8,429**	**(148)**	**11,050**	**32,300**

21. DEFERRED TAX ASSETS - *continued*

At the end of the reporting period, the Group has unused tax losses of approximately RMB49,910,000 (2018: RMB10,026,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. Among the above unrecognised tax losses, approximately RMB38,383,000 (2018: RMB7,954,000) was incurred by entities overseas and thus may be carried forward indefinitely. As for PRC entities, the unrecognised tax losses that will expire as the following:

	31 December 2019 RMB'000	31 December 2018 RMB'000
2022	**292**	292
2023	**1,780**	1,780
2024	**9,455**	—
	11,527	2,072

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB901,710,000 (2018: RMB913,123,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

22. INVENTORIES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Raw materials	**38,440**	29,160
Work in progress	**27,450**	15,024
Finished goods	**33,235**	26,551
	99,125	70,735

23. TRADE RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade receivables from contracts with customers	**78,197**	96,633
Less: allowance for credit losses	**(5,648)**	(5,528)
	72,549	91,105

Trade receivables mainly arose from sales of medical devices.

As at 1 January 2018, trade receivables from contracts with customers amounted to RMB69,754,000.

The Group normally allows a credit period of 30 to 180 days (2018: 30 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	31 December 2019 RMB'000	31 December 2018 RMB'000
1 to 90 days	**57,985**	70,159
91 to 180 days	**11,750**	11,068
181 to 365 days	**2,570**	7,178
Over 365 days	**244**	2,700
	72,549	91,105

As at 31 December 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB9,134,000 (2018: RMB20,526,000) which are past due as at the reporting date. Out of the past due balances, RMB3,376,000 (2018: RMB9,396,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables for the year ended 31 December 2019 are set out in note 38.

24. OTHER RECEIVABLES AND PREPAYMENTS

	2019 RMB'000	2018 RMB'000
Other debtors (Note)	27,466	16,448
Prepayments	25,715	14,842
Advance to employees - interest-free	28,381	23,041
Rental deposits	2,596	2,222
Other deposits	942	748
	85,100	57,301

Note:

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.

Rental deposits paid were adjusted upon the initial application of IFRS 16, Details of the adjustments are set out in note 2.

Details of impairment assessment of other receivables for the year ended 31 December 2019 and 2018 are set out in note 38.

25. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/FIXED BANK DEPOSITS

The Group's bank balances carry interest at prevailing market rates which range from 0.01% to 0.35% (2018: 0.01% to 0.35%) per annum.

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. The deposits amounting to RMB90,000,000 (31 December 2018: RMB30,000,000) with a fixed rate of 3.11% (31 December 2018: 2.98%) per annum have been pledged to secure long term borrowings and are therefore classified as non-current assets.

Fixed bank deposit amounting to RMB50,000,000 (31 December 2018: RMB5,000,000) represents six-month time deposit with a fixed rate of 2.8% (2018: 4.15%) per annum, which is due in March 2020 and is therefore classified as current assets.

Details of impairment assessment of bank balances, pledged bank deposit and fixed bank deposit for the year ended 31 December 2019 and 2018 are set out in note 38.

26. TRADE AND OTHER PAYABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Trade payables	**9,924**	18,664
Other payables:		
Government grants (Note 28)	**3,760**	1,705
Accrued payroll and bonus	**50,261**	37,868
Rental deposits	**7,848**	6,247
Other payables	**19,558**	22,270
Construction payables	**14,540**	21,913
Accrued expenses	**59,216**	44,729
Value-added tax payables	**6,148**	7,083
Other tax payables	**1,909**	1,584
	163,240	143,399
	173,164	162,063

The credit period granted by suppliers to the Group ranged from 30 to 120 days (2018: 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:

	31 December 2019 RMB'000	31 December 2018 RMB'000
0 - 30 days	**5,712**	9,060
31 - 60 days	**2,670**	6,720
61 - 90 days	**791**	1,751
91 - 120 days	**287**	346
Over 120 days	**464**	787
	9,924	18,664

27. CONTRACT LIABILITIES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Medical devices	**5,408**	4,008

As at 1 January 2018, contract liabilities amounted to RMB1,740,000.

Contract liabilities that are expected to be settled within the Group's normal operating cycle, are classified as current based on the Group's earliest obligation to transfer goods or services to the customers.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities.

	Medical devices RMB'000
For the year ended 31 December 2019	
Revenue recognised that was included in the contract liability balance at the beginning of the year	**2,123**

	Medical devices RMB'000
For the year ended 31 December 2018	
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,740

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

28. DEFERRED INCOME - GOVERNMENT GRANTS

	2019 RMB'000	2018 RMB'000
Government grant related to assets:		
At beginning of the year	**59,057**	59,002
Additions	**9,150**	1,760
Released to profit or loss	**(23,479)**	(1,705)
At end of the year	**44,728**	59,057

28. DEFERRED INCOME - GOVERNMENT GRANTS - *continued*

	31 December 2019 RMB'000	31 December 2018 RMB'000
Arising from government grants		
Current liabilities (included in other payables)	**3,760**	1,705
Non-current liabilities	**40,968**	57,352
	44,728	59,057

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

During the year ended 31 December 2019, the Group recognised income of RMB29,640,000 (2018: RMB5,855,000) of which RMB6,161,000 (2018: RMB4,150,000) is directly received and recognised in profit or loss.

29. BANK BORROWINGS

	31 December 2019 RMB'000	31 December 2018 RMB'000
Secured bank borrowings (Note)	**330,265**	24,021
The carrying amounts of the above borrowings are repayable*:		
Within one year	**113,418**	2,402
Within a period of more than one year but not exceeding two years	**129,375**	21,619
Within a period of more than two years but not exceeding five years	**87,472**	—
	330,265	24,021
Less: Amounts due within one year shown under current liabilities	**(113,418)**	(2,402)
Amounts shown under non-current liabilities	**216,847**	21,619

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

As at 31 December 2018, USD bank borrowing of USD3,500,000 (equivalent to RMB24,021,000) is secured by the Group's pledged bank deposit of RMB30,000,000.

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

29. BANK BORROWINGS - *continued*

The Group's variable-rate bank borrowing carries interest at 2.14% (2018:2.14%) above London Interbank Offered Rate ("LIBOR") and 4% above Hong Kong Interbank Offered Rate ("HIBOR") (2018:nil). Interest is reset at every three months for United States Dollar bank borrowings and every six months for Hong Kong Dollar bank borrowings.

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

	2019	2018
Effective interest rate per annum:		
Variable-rate borrowings	**4.45% to 6.17%**	4.48% to 4.94%

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

	Hong Kong Dollars RMB'000	**United States Dollars RMB'000**
As at 31 December 2019	**260,678**	**69,587**
As at 31 December 2018	**—**	**24,021**

30. LEASE LIABILITIES

	31 December 2019 RMB'000
Lease liabilities payable:	
Within one year	**11,660**
Within a period of more than one year but not more than two years	**6,628**
Within a period of more than two years but not more than five years	**4,898**
	23,186
Less: Amount due for settlement with 12 months shown under current liabilities	**(11,660)**
Amount due for settlement after 12 months shown under non-current liabilities	**11,526**

31. SHARE CAPITAL

	Number of shares	Amount USD
Ordinary shares		
Authorised:		
At 1 January 2018, 31 December 2018 and 2019 at USD0.00000125 each	40,000,000,000	50,000

	Number of shares	Amount USD	Shown in the consolidated statement of financial position as RMB'000
Issued and fully paid:			
At 1 January 2018	4,329,478,800	5,412	35
Exercise of share options	6,812,400	9	—
At 31 December 2018	4,336,291,200	5,421	35
Exercise of share options	866,000	1	—
Cancellation of ordinary shares	(17,124,000)	(21)	—
At 31 December 2019	**4,320,033,200**	**5,401**	**35**

Note: During the year ended 31 December 2019, the Company repurchased a total of 9,414,000 (2018: 7,710,000) shares of the Company on The Stock Exchange of Hong Kong Limited of an aggregate consideration (including transaction cost) of approximately RMB11,874,000 (2018: RMB10,117,000). 8,710,000 shares have been cancelled on 23 January 2019 and 8,414,000 shares have been cancelled on 24 July 2019.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2019 RMB'000	2018 RMB'000
Non-current assets		
Property, plant and equipment	1,570	1,812
Interests in subsidiaries	292,925	194,502
	294,495	196,314
Current assets		
Other receivables	8,746	2,449
Amounts due from subsidiaries	255,592	246,083
Bank balances and cash	11,181	59,647
	275,519	308,179
Current liabilities		
Other payables	11,848	1,326
Amounts due to subsidiaries	78,758	3,143
Bank borrowings	86,560	—
Tax payables	7,526	7,526
	184,692	11,995
Net current assets	90,827	296,184
Total assets less current liabilities	385,322	492,498
Non-current Liability		
Bank borrowings	174,118	—
Net assets	211,204	492,498
Capital and Reserves		
Share capital	35	35
Reserves	211,169	492,463
Total equity	211,204	492,498

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY - *continued*

Movement in reserves

	Share premium RMB'000	Share option reserve RMB'000	Share held for Share Award Scheme RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018	785,303	57,399	—	—	(514,002)	328,700
Recognition of equity-settled share-based payments	—	72,338	—	—	—	72,338
Exercise of share options	12,629	(4,535)	—	—	—	8,094
Repurchase of ordinary shares	—	—	—	(10,117)	—	(10,117)
Gain and the total comprehensive income for the year	—	—	—	—	93,448	93,448
At 31 December 2018	797,932	125,202	—	(10,117)	(420,554)	492,463
Recognition of equity-settled share-based payments	—	131,762	—	—	—	131,762
Exercise of share options	1,727	(622)	—	—	—	1,105
Repurchase and cancellation of ordinary shares	(21,991)	—	—	10,117	—	(11,874)
Loss and the total comprehensive expense for the year	—	—	—	—	(62,691)	(62,691)
Purchase of shares under Share Award Scheme	—	—	(339,596)	—	—	(339,596)
At 31 December 2019	**777,668**	**256,342**	**(339,596)**	**—**	**(483,245)**	**211,169**

33. SHARE-BASED PAYMENT TRANSACTION

Share option scheme

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

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

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

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

33. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

An offer of grant of an option shall remain open for acceptance by the Eligible Participants concerned for such period as determined by the board, which period shall not be more than fourteen days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of the 22 October 2011 or after the Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HKD1 to the Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price.

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

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

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

33. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

The following table discloses movements in the Company's share options held by directors and employees during the year ended 31 December 2019:

Types	Outstanding at 1 January 2019	Granted during the year	Exercised during the year	Lapsed during the year (Note i)	Cancelled during the year (Note ii)	Outstanding at 31 December 2019
Share options granted on 5 May 2015:						
Batch I	17,945,200	—	—	(874,000)	—	17,071,200
Batch II	19,170,800	—	(284,000)	(874,000)	—	18,012,800
Batch III	20,419,200	—	(450,000)	(874,800)	—	19,094,400
Batch IV	21,134,400	—	(132,000)	(928,000)	—	20,074,400
Batch V	21,134,400	—	—	(2,172,000)	—	18,962,400
Share options granted on 10 May 2018:						
Batch I	39,936,000	—	—	(1,846,800)	(38,089,200)	—
Batch II	39,936,000	—	—	(11,014,800)	(28,921,200)	—
Batch III	39,936,000	—	—	(11,014,800)	(28,921,200)	—
Batch IV	39,936,000	—	—	(11,014,800)	(28,921,200)	—
Batch V	39,936,000	—	—	(11,014,800)	(28,921,200)	—
Share options granted on 29 August 2018:						
Batch I	1,080,000	—	—	(80,000)	(1,000,000)	—
Batch II	1,080,000	—	—	(120,000)	(960,000)	—
Batch III	1,080,000	—	—	(120,000)	(960,000)	—
Batch IV	1,080,000	—	—	(120,000)	(960,000)	—
Batch V	1,080,000	—	—	(120,000)	(960,000)	—
Total	304,884,000	—	(866,000)	(52,188,800)	(158,614,000)	93,215,200
Exercisable at the end of the year						74,252,800
Weighted average exercise price	HKD2.238	—	HKD1.464	HKD2.496	HKD2.613	HKD1.464

33. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

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

Types	Outstanding at 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year (Note i)	Outstanding at 31 December 2018
Share options granted on 5 May 2015:					
Batch I	20,871,600	—	(2,926,000)	(400)	17,945,200
Batch II	22,026,000	—	(2,854,800)	(400)	19,170,800
Batch III	22,432,400	—	(1,031,600)	(981,600)	20,419,200
Batch IV	22,432,400	—	—	(1,298,000)	21,134,400
Batch V	22,432,400	—	—	(1,298,000)	21,134,400
Share options granted on 10 May 2018:					
Batch I	—	40,256,000	—	(320,000)	39,936,000
Batch II	—	40,256,000	—	(320,000)	39,936,000
Batch III	—	40,256,000	—	(320,000)	39,936,000
Batch IV	—	40,256,000	—	(320,000)	39,936,000
Batch V	—	40,256,000	—	(320,000)	39,936,000
Share options granted on 29 August 2018:					
Batch I	—	1,080,000	—	—	1,080,000
Batch II	—	1,080,000	—	—	1,080,000
Batch III	—	1,080,000	—	—	1,080,000
Batch IV	—	1,080,000	—	—	1,080,000
Batch V	—	1,080,000	—	—	1,080,000
Total	110,194,800	206,680,000	(6,812,400)	(5,178,400)	304,884,000
Exercisable at the end of the year					57,535,200
Weighted average exercise price	HKD1.464	HKD2.615	HKD1.464	HKD1.824	HKD2.238

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HKD1.614 (2018: HKD2.527).

33. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

Notes:

(i) Certain employees resigned during the year and respective share options lapsed accordingly.

(ii) On 31 December 2019, the Company cancelled all outstanding share options of share options granted on 10 May 2018 and 29 August 2018.

Details of specific categories of share options are as follows:

Date of grant	Vesting period	Exercisable period	Exercise price HKD
5 May 2015:			
Batch I	12 months	5 May 2016 - 4 May 2025	1.464
Batch II	24 months	5 May 2017 - 4 May 2025	1.464
Batch III	36 months	5 May 2018 - 4 May 2025	1.464
Batch IV	48 months	5 May 2019 - 4 May 2025	1.464
Batch V	60 months	5 May 2020 - 4 May 2025	1.464

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

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

33. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

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

Batch	Number of options	Expected life year	Initial underlying HKD	Exercise price HKD	Risk free rate %	Dividend yield %	Volatility %
Share options granted on 5 May 2015							
Batch I	32,000,000	7.75	1.410	1.464	1.51	—	55.33
Batch II	32,000,000	8.00	1.410	1.464	1.52	—	55.12
Batch III	32,000,000	8.25	1.410	1.464	1.53	—	54.62
Batch IV	32,000,000	8.50	1.410	1.464	1.55	—	54.18
Batch V	32,000,000	8.75	1.410	1.464	1.56	—	54.19
Share options granted on 10 May 2018							
Batch I	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch II	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch III	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch IV	40,256,000	10	2.630	2.630	2.162	—	49.77
Batch V	40,256,000	10	2.630	2.630	2.162	—	49.77
Share options granted on 29 August 2018							
Batch I	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch II	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch III	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch IV	1,080,000	10	2.020	2.060	2.158	—	47.44
Batch V	1,080,000	10	2.020	2.060	2.158	—	47.44

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

33. SHARE-BASED PAYMENT TRANSACTION - *continued*

Share option scheme - *continued*

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

For the year ended 31 December 2019, the Group recognised approximately RMB125,850,000 (2018: approximately RMB60,265,000) share-based payment expenses in the profit or loss, of which, approximately RMB6,302,000 (2018: nil) was included in cost of sales, approximately RMB39,102,000 (2018: RMB24,510,000 was included in research and development expenses, approximately RMB59,637,000 (2018: RMB27,335,000) was included in administrative expenses and approximately RMB20,809,000 (2018: RMB8,420,000) was included in selling and distribution expenses. In addition, approximately RMB5,912,000 was capitalised in development costs (2018: approximately RMB425,000 was capitalised in construction in progress, approximately RMB9,315,000 was capitalised in development costs and approximately RMB2,333,000 was capitalised in inventories).

34. OPERATING LEASES

The Group as lessee

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

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2018 RMB'000
Within one year	11,172
In the second to fifth years inclusive	16,172
	27,344

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.

34. OPERATING LEASES - *continued*

The Group as lessor

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

Minimum lease payments receivable on leases are as follows:

	31 December 2019 RMB'000
Within one year	**41,969**
In the second to third years inclusive	**38,425**
In the third to fourth years inclusive	**30,824**
In the fourth to fifth years inclusive	**11,274**
In the fifth to sixth years inclusive	**7,298**
Over six years	**15,067**
	144,857

As of 31 December 2018, all of the properties have committed leases for the next 1 to 5 years.

The Group had contracted with leases for the following future minimum lease payments:

	31 December 2018 RMB'000
Within one year	39,863
In the second to third years inclusive	99,915
	139,778

35. CAPITAL COMMITMENTS

	2019 RMB'000	2018 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the consolidated financial statements	**13,932**	12,093

36. RETIREMENT BENEFITS SCHEME

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

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

The total cost paid or payable of approximately RMB14,003,000 for the year ended 31 December 2019 (2018: RMB12,047,000).

37. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 29, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves.

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

38. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	31 December 2019 RMB'000	31 December 2018 RMB'000
Financial assets		
Mandatorily measured at FVTPL		
– Unlisted participating shares	**146,924**	135,343
– Unlisted fund	**32,964**	34,522
Financial assets at amortised cost (including cash and cash equivalents)	**669,254**	520,393
Financial liabilities		
Amortised cost	**382,135**	93,115
Lease liabilities	**23,186**	—

(b) Financial risk management objectives and policies

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

38. FINANCIAL INSTRUMENTS - *continued*

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

Market risk

Currency risk

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

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

	31 December 2019 RMB'000	31 December 2018 RMB'000
Assets		
USD	**73,897**	127,559
Euro ("EUR")	**72,011**	47,055
Hong Kong Dollars ("HKD")	**10,139**	19,235
India Rupees ("INR")	**14,538**	13,412
Liabilities		
USD	**72,438**	32,023
EUR	**180**	988
HKD	**261,008**	215
INR	**547**	126

38. FINANCIAL INSTRUMENTS - *continued*

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

Market risk - continued

Currency risk - continued

Sensitivity analysis

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

For the years ended 31 December 2019 and 2018, a positive (negative) number below indicates an increase (a decrease) in profit after tax where RMB strengthens 5% against the relevant foreign currencies. For a 5% weakening of RMB against the relevant foreign currencies, there would be an equal and opposite impact on the profit after tax for the year.

	2019 RMB'000	2018 RMB'000
USD		
Profit or loss	**(62)**	(4,060)
EUR		
Profit or loss	**(3,053)**	(1,958)
HKD		
Profit or loss	**10,662**	(808)
INR		
Profit or loss	**(595)**	(565)

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

38. FINANCIAL INSTRUMENTS - *continued*

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

Market risk - continued

Interest rate risk

The Group is exposed to fair value interest rate risk in relation lease liabilities (see note 30 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 25 for details), pledged bank deposit (see note 25 for details), variable-rate bank borrowings (see note 29 for details). The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

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

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LIBOR and HIBOR arising from the Group's USD and HKD dominated bank borrowings (2018: LIBOR arising from USD dominated bank borrowings).

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2018:50 basis points) increase or decrease in variable-rate bank borrowings are used represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points (2018: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2019 would decrease/increase by RMB1,404,000 (2018: decrease/increase by RMB102,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

Other price risk

The Group is exposed to equity price risk through its investment in ABG-Grail and the Fund measured at FVTPL. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The sensitivity analysis for ABG-Grail and the Fund with fair value measurement categorised within Level 3 were disclosed in note 38(c).

38. FINANCIAL INSTRUMENTS - *continued*

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

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade receivables, pledged bank deposits, bank balances, and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial.

Trade receivables arising from contracts with customers

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

The Group has concentration of credit risk as 77.3% (2018: 65.2%) of the total trade receivables was due from the Group's five largest customers within the structural heart diseases and peripheral vascular diseases business segments. The Group's concentration of credit risk by geographical locations is mainly in the PRC, which accounted for 35% (2018: 55%) of the total debtors as at 31 December 2019.

Other receivables/bank balances/bank deposits

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

The Group uses provision matrix to calculate ECL for other receivables.

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

38. FINANCIAL INSTRUMENTS - *continued*

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

Credit risk and impairment assessment - continued

Other receivables/bank balances/bank deposits - continued

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

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

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

	Notes	External credit rating	Internal credit rating	12-month or lifetime ECL	2019 Gross carrying amount		2018 Gross carrying amount	
					RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at amortised cost								
Pledged bank deposit	25	AA+	N/A	12-month ECL		**90,000**		30,000
Bank balances	25	AA+	N/A	12-month ECL		**299,027**		352,577
Fixed bank deposit	25	AA+	N/A	12-month ECL		**50,000**		5,000
Other receivables	24	N/A	Low risk	12-month ECL	**15,706**		4,041	
			Watch List	12-month ECL	**44,836**	**60,542**	39,351	43,392
Trade receivables	23	N/A	(Note)	Lifetime ECL	**76,220**		95,696	
			Loss	Credit-impaired	**1,977**	**78,197**	937	96,633

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

38. FINANCIAL INSTRUMENTS - *continued*

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

Credit risk and impairment assessment - continued

Other receivables/bank balances/bank deposits - continued

Note:

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, grouped by internal credit rating.

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its sales operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired). As at 31 December 2019, debtors with credit - impaired with gross carrying amounts of RMB1,977,000 (31 December 2018: RMB937,000) were assessed individually.

Internal credit rating	Average loss rate	**2019 Trade receivables RMB'000**
Low risk	0.10%	**42,180**
Watch list	2.06%-4.97%	**32,419**
Doubtful	5.96%-14.42%	**1,621**
		76,220

Internal credit rating	Average loss rate	2018 Trade receivables RMB'000
Low risk	0.10%	65,745
Watch list	2.15%	18,871
Doubtful	6.28%-40.31%	11,080
		95,696

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

38. FINANCIAL INSTRUMENTS - *continued*

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

Credit risk and impairment assessment - continued

Other receivables/bank balances/bank deposits - continued

Note: - *continued*

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

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2018			
Changes due to financial instruments recognised at 1 January 2018	2,805	1,298	4,103
– Transfer to credit-impaired	(9)	9	—
– Impairment losses reversed	(349)	(372)	(721)
New financial assets originated	2,144	2	2,146
As at 31 December 2018	4,591	937	5,528
Changes due to financial instruments recognised as at 1 January 2019			
– Impairment losses reversed	(4,587)	(937)	(5,524)
New financial assets originated	3,667	1,977	5,644
As at 31 December 2019	3,671	1,977	5,648

38. FINANCIAL INSTRUMENTS - *continued*

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

Credit risk and impairment assessment - continued

Other receivables/bank balances/bank deposits - continued

Note: - *continued*

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

	2019		2018	
	Increase (decrease) in lifetime ECL		Increase (decrease) in lifetime ECL	
	Not credit-impaired RMB'000	**Credit-impaired RMB'000**	Not credit-impaired RMB'000	Credit-impaired RMB'000
Settlement in full of trade debtors with a gross carrying amount of RMB96,629,000 (2018: RMB41,273,000)	**(4,587)**	**(937)**	(349)	(372)
New trade receivables with gross carrying amount of RMB38,918,000 (2018: RMB41,754,000)	**3,667**	**1,977**	2,144	2

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

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

	12m ECL RMB'000
As at 1 January 2018	681
Changes due to financial instruments recognises as at 1 January 2018	
– Impairment losses recognised	562
– Impairment losses reversed	(310)
As at 31 December 2018	933
Changes due to financial instruments recognised as at 1 January 2019	
– Impairment losses reversed	(933)
New financial assets originated	1,157
As at 31 December 2019	1,157

38. FINANCIAL INSTRUMENTS - *continued*

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

Liquidity risk

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

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

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

Liquidity and interest risk tables

	Interest rate %	Repayable on demand RMB'000	Less than 3 months RMB'000	3 months to 1 year RMB'000	1 - 5 years RMB'000	Undiscounted cash flows RMB'000	Total carrying amount RMB'000
At 31 December 2019							
Non-derivative financial liabilities							
Trade and other payables		47,659	2,670	1,541	–	51,870	51,870
Lease liabilities	5.82	–	–	12,373	24,967	37,340	23,186
Bank borrowings	4.45 - 6.17	–	–	131,932	230,042	361,974	330,265
Total		47,659	2,670	145,846	255,009	451,184	405,321
At 31 December 2018							
Non-derivative financial liabilities							
Trade and other payables		59,489	8,472	1,133	–	69,094	69,094
Bank borrowing	4.48 - 4.94	–	–	3,536	22,372	25,908	24,021
Total		59,489	8,472	4,669	22,372	95,002	93,115

38. FINANCIAL INSTRUMENTS - *continued*

(c) Fair value measurements of financial instruments

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

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

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

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

Fair value hierarchy as at 31 December 2019

	Level 3 2019 RMB'000	Level 3 2018 RMB'000
Financial assets at FVTPL		
Unlisted participating shares	**146,924**	135,343
Unlisted fund	**32,964**	34,522

38. FINANCIAL INSTRUMENTS - *continued*

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 December 2019	31 December 2018			
Unlisted participating shares	Participating shares in a company engaged in fund investment - RMB146,924,000	Participating shares in a company engaged in fund investment - RMB135,343,000	Level 3	Market approach - in this approach, the net assets value of the investee is adjusted by using premium over net assets value of listed entities in similar industries	Premium of -1.18% (2018: -1.17%) over net assets value of listed entities in similar industries.
Unlisted fund	Interests in a limited partnership engaged in fund investment - RMB32,964,000	Interests in a limited partnership engaged in fund investment - RMB34,522,000	Level 3	Market approach - in this approach, the net assets value of the investee is adjusted by using premium over net assets value of listed entities in similar industries	Premium of -1.18% (2018: -1.17%) over net assets value of listed entities in similar industries.

An increase in the premium over net assets value used in isolation would result in an increase in the fair value measurement of unlisted participating shares and unlisted fund, and vice versa. The directors of the Company believe that reasonable possible increase/decrease in the premium over net assets value rate was not significant to the consolidated financial statements. During the year ended 31 December 2019, no FVTPL transfered between each level.

38. FINANCIAL INSTRUMENTS - *continued*

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

(ii) Reconciliation of Level 3 fair value measurements

	Unlisted participating shares RMB'000	Unlisted fund RMB'000	Total RMB'000
At 1 January 2018	—	—	—
Purchases	127,340	38,202	165,542
Loss from fair value changes	(1,900)	(6,586)	(8,486)
Unrealised exchange gain	9,903	2,906	12,809
At 31 December 2018	**135,343**	**34,522**	**169,865**
(Loss) gain from fair value changes	**9,243**	**(2,101)**	**7,142**
Unrealised exchange gain	**2,338**	**543**	**2,881**
At 31 December 2019	**146,924**	**32,964**	**179,888**

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

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Lease liabilities RMB'000	Bank borrowings RMB'000
At 1 January 2018	—	—
Financing cash flows	—	23,739
Interest expenses	—	282
At 31 December 2018	—	24,021
Adjustment upon application of IFRS 16	26,746	—
As at 1 January 2019 (restated)	**26,746**	**24,021**
New lease entered	**7,581**	**—**
Financing cash flows	**(12,373)**	**280,976**
Interest expenses	**1,232**	**18,985**
Unrealised foreign exchange loss	**—**	**6,283**
At 31 December 2019	**23,186**	**330,265**

40. RELATED PARTY DISCLOSURES

(a) Significant related party transaction

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

Relationship	Nature of transaction	2019 RMB'000	2018 RMB'000
Substantial shareholder	Purchase of shares under Share Award Scheme	**324,314**	—

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended 31 December 2019 and 2018 were as follows:

	2019 RMB'000	2018 RMB'000
Share-based payment	**42,253**	38,186
Short-term employee benefits	**10,535**	5,658
Post-employment benefits	**325**	362
	53,113	44,206

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

41. INTERESTS IN PRINCIPAL SUBSIDIARIES

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company 2019	2018	Principal activities
Lifetech Scientific India Private Ltd.	India	INR6,573,680	**100%***	100%*	Trading of medical devices
LifeTech Scientific (Hong Kong) Co., Ltd. 先健科技(香港)有限公司	Hong Kong	HKD1	**100%**	100%	Investment holding
Δ#Lifetech Scientific (Shenzhen) Co., Ltd. 先健科技(深圳)有限公司	The PRC	RMB100,000,000	**100%**	100%	Developing, manufacturing and trading of medical devices
ΔShenzhen Lifetech Material Biological Technology Co., Ltd. (Note) 深圳市先健生物材料技術有限公司	The PRC	RMB11,110,000	**72%***	72%*	Trading of medical devices, biomedical research and development
LifeTech Scientific (Europe) Coöperatief U. A.	Netherlands	EUR2,000	**100%***	100%*	Investment holding
Lios Investment Corporation	British Virgin Islands	USD10	**100%***	100%*	Investment holding

41. INTERESTS IN PRINCIPAL SUBSIDIARIES - *continued*

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company 2019	2018	Principal activities
LifeTech Scientific (Netherlands) B.V.	Netherlands	EUR18,000	**100%***	100%*	Trading of medical devices
Lios Russia LLC	Russia	RUB10,000	**100%***	100%*	Trading of medical devices
LifeTech Scientific Holdings Limited	British Virgin Islands	USD50,000	**100%**	100%	Investment holding
LifeTech Scientific Medical Devices Limited	British Virgin Islands	USD50,000	**100%**	100%	Investment holding
LifeTech Scientific International Investments Limited	British Virgin Islands	USD50,000	**100%**	100%	Investment holding
Lifetech Scientific America Corporation	USA	USD50,000	**100%***	100%*	Investment holding
LifeTech Scientific Trading Limited	Hong Kong	HKD1	**100%***	100%*	Trading of medical devices
LifeTech Hellas Import and Trade of Medical Devices Single Member Limited Liability Company	Greece	EUR30,000	**100%***	100%*	Trading of medical devices
Δ深圳市先健呼吸科技有限公司	The PRC	RMB1,000,000	**100%***	100%*	Biomedical research and development, consulting services
Δ深圳市領先醫療服務有限公司	The PRC (i)	RMB1,000,000	**100%***	70%*	Consulting services, technology services
Δ深圳市先健心康電子醫療有限公司	The PRC	RMB10,000,000	**70%***	70%*	Development and trading of medical devices
Δ東莞先健新材料科技有限公司	The PRC	RMB1,000,000	**100%***	100%*	Development, manufacturing and trading of new material
Δ東莞市先健醫療有限公司	The PRC	RMB50,000,000	**100%***	100%*	Development, manufacturing and trading of medical devices

41. INTERESTS IN PRINCIPAL SUBSIDIARIES - *continued*

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company		Principal activities
			2019	2018	
Δ東莞先健暢通醫療有限公司	The PRC	RMB10,000,000	100%*	100%*	Development manufacturing and trading of medical devices
Δ元心科技 (深圳) 有限公司	The PRC (iii)	RMB30,000,000	70%*	N/A	Operating import and export business. Development, manufacture and sale of Class I Class II and Class III medical devices, medical polymer materials and products, technical consultation, technology transfer, technical services
Δ東莞先健量子醫療科技有限公司	The PRC (iv)	RMB10,000,000	50.1%*	N/A	Development, sales and technical services of Class I, Class II and Class III medical devices
Δ深圳市雲麻生物科技有限公司	The PRC (iii)	RMB20,000,000	60%*	N/A	The R&D, manufacturing and trading of materials for hemp, the R&D biotechnology
Δ雲南麻省健康科學有限公司	The PRC (ii)	RMB20,000,000	92%*	N/A	The R&D, manufacturing and trading of materials for hemp, the R&D of biotechnology

41. INTERESTS IN PRINCIPAL SUBSIDIARIES - *continued*

Name of subsidiaries	Place of incorporation/ establishment/ operation	Issued and fully paid ordinary share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital/equity interests and voting power held by the Company 2019	2018	Principal activities
LifeTech Scientific Deutschland GmbH	Germany (v)	EUR300,000	100%#	N/A	Import and export, and the sales and distribution of medical and paramedical devices including software and accessories and related services and consultancy.
Δ深圳市健心醫療科技有限公司	The PRC (vi)	RMB1,000,000	100%*	N/A	Operating, import and export business; Development, manufacture and sales of Class I, Class II and Class III medical devices, medical polymer material and products, technical consultation, technology transfer, technical services

* Indirectly held through subsidiaries.

\# A wholly foreign owned enterprise.

Δ Limited liability company established in the PRC.

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

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

41. INTERESTS IN PRINCIPAL SUBSIDIARIES - *continued*

Notes:

(i) Subscribed registered capital has not fully paid at the year end of 2019.

(ii) The subsidiary was set up in April 2019.

(iii) The subsidiary was set up in May 2019.

(iv) The subsidiary was set up in June 2019.

(v) The subsidiary was set up in September 2019.

(vi) The subsidiary was set up in November 2019.

42. EVENTS AFTER REPORTING PERIOD

The outbreak of the coronavirus disease (the "COVID-19") in China has affected the Group's business and operations as its factories are located in the PRC. Since the first case of the COVID-19 has been confirmed in the PRC, the directors of the Company have closely monitored its developments and kept regular communications with its suppliers, customers, and other parties to understand whether there would be any significant impacts on the Group's business. As required by the local government offices in which the Group's factories are located, the operations of the Group's factories had been suspended for one week and had resumed their operations on 11 February 2020. Surgeries are more likely delayed than cancelled by patients, additionally certain peripheral vascular diseases related surgeries are urgent and unlikely to be delayed. The Group will continue to pay close attention to the development of COVID-19, and as of the date of approval of this consolidated financial statements, the assessment is still in progress.