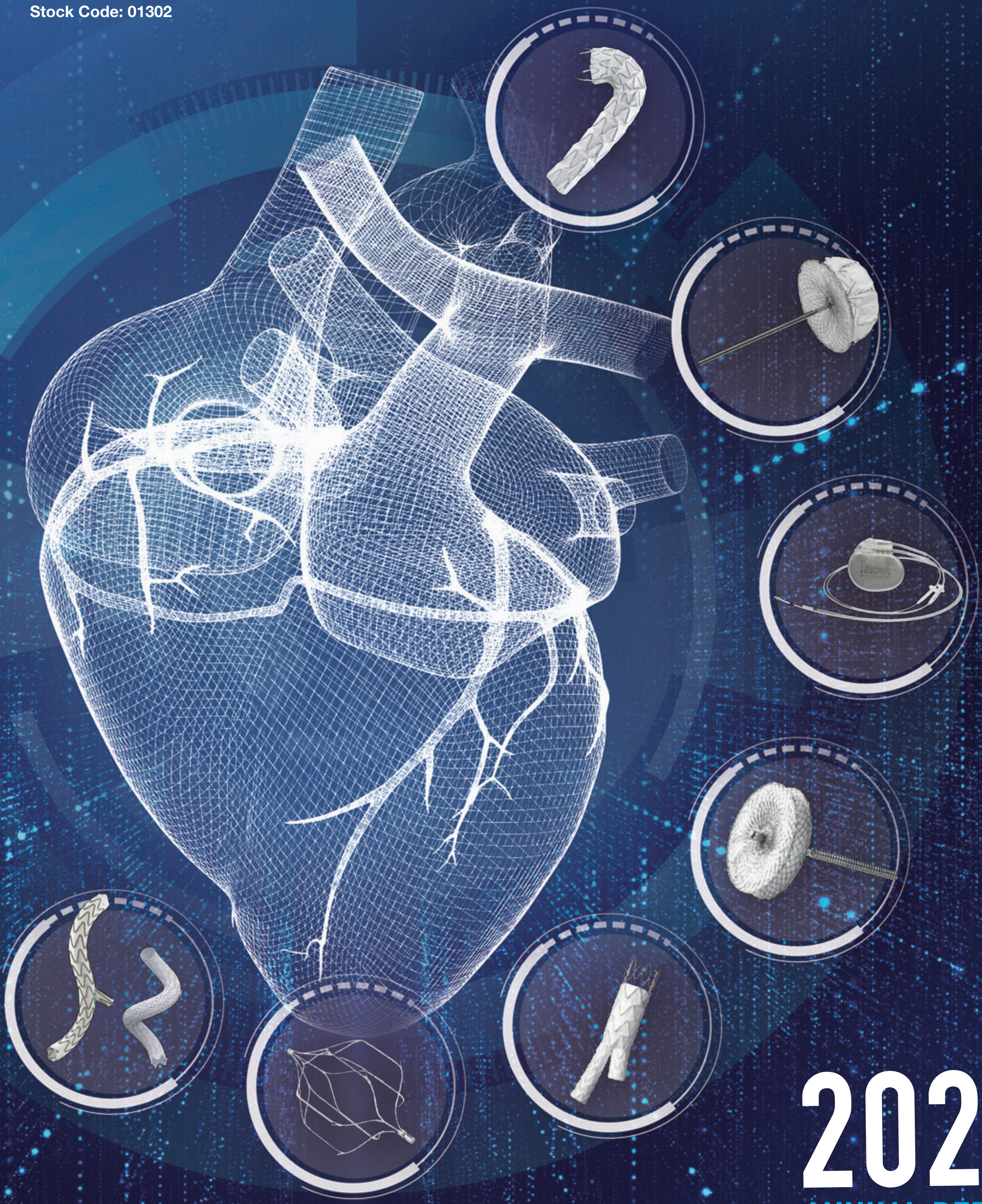
LifeTech Scientific Corporation
先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302



2020
ANNUAL REPORT

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CORPORATE INFORMATION

As at 30 March 2021

EXECUTIVE DIRECTORS

XIE Yuehui
(Chairman and Chief Executive Officer)
LIU Jianxiong
(Executive Vice President, Chief Financial Officer and Company Secretary)

NON-EXECUTIVE DIRECTORS

JIANG Feng
FU Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

COMPANY SECRETARY

LIU Jianxiong

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

HONG KONG LEGAL ADVISOR
Allen & Overy
9/F, Three Exchange Square
Central
Hong Kong SAR

AUDITOR
Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
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		
	2020 RMB'000	2019 RMB'000	Change
Revenue	**642,299**	668,879	(4.0%)
Gross profit	**513,145**	534,820	(4.1%)
Operating profit	**264,489**	188,755	40.1%
Profit before tax	**242,624**	170,811	42.0%
Profit for the year attributable to owners of the Company	**216,085**	129,200	67.2%
Earnings per share			
– Basic	**RMB5.0 cents**	RMB3.1 cents	61.3%
– Diluted	**RMB4.9 cents**	RMB3.1 cents	58.1%

FIVE YEARS' FINANCIAL SUMMARY

	2020 RMB'000	2019 RMB'000	2018 RMB'000	2017 RMB'000	2016 RMB'000
Revenue	**642,299**	668,879	556,698	409,125	352,849
Profit for the year	**207,043**	127,164	121,353	163,574	145,710
Assets					
Non-current assets	**1,409,703**	1,166,425	953,147	662,891	518,075
Current assets	**1,544,846**	605,801	577,985	606,866	811,993
Total assets	**2,954,549**	1,772,226	1,531,132	1,269,757	1,330,068
Liabilities					
Current liabilities	**493,601**	341,223	208,271	156,480	221,117
Non-current liabilities	**102,458**	269,341	78,971	57,311	238,356
Total liabilities	**596,059**	610,564	287,242	213,791	459,473
Total equity	**2,358,490**	1,161,662	1,243,890	1,055,966	870,595

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 2020.

The year 2020 was an extraordinary and challenging year. The sudden outbreak of the COVID-19 epidemic has been an impact on the global economic and social conditions. Under this situation, we paid attention to the prevention and control of the epidemic on the one hand, strictly followed the requirements of the local government to fulfill our responsibilities, and made every effort to ensure the safety and health of our employees. On the other hand, we focused on continuous safe production to minimize the adverse impact of the epidemic on the Company's operations and development. With the joint efforts of all our employees, we managed to show strong execution and vigorous innovation, and continued to create value for shareholders in 2020.

FINANCIAL REVIEW

Affected by the COVID-19 epidemic, the revenue of the Group was approximately RMB642.3 million for the year ended 31 December 2020 as compared to approximately RMB668.9 million for the corresponding period of 2019, representing a slight decrease of approximately 4.0%. Gross profit was approximately RMB513.1 million for the year 2020 as compared to approximately RMB534.8 million for the corresponding period of 2019, representing a decrease of approximately 4.1%.

Net profit attributable to owners of the Company was approximately RMB216.1 million for the year ended 31 December 2020 as compared to approximately RMB129.2 million for the corresponding period of 2019, representing an increase of approximately 67.3%. The increase was primarily attributable to (i) the increase of other gains generated by gain from changes in fair value of financial assets at fair value through profit or loss ("FVTPL"); and (ii) the increase of other gains generated by investment income from financial assets at FVTPL. Both increases were in relation to our investments in ABG-Grail Limited and Ally Bridge Group Innovation Capital Partners III, L.P.. Please refer to the section headed "Management discussion and analysis" and Note 6 and Note 19 to the consolidated financial statements in this annual report for further information.

OPERATION REVIEW

The Group continued to promote the existing businesses of our major products and also actively expanded our distribution network around the world. Due to the impact of the COVID-19 epidemic, we have transformed our marketing strategy from offline marketing to click-and-mortar in order to seize new opportunities. Various online and offline marketing and academic activities, such as live demonstrations, online seminars and experience sharing by medical professionals, help drive sales and further promote our brand. In 2020, the North American market performed outstandingly. LAmbre™ Left Atrial Appendage ("LAA") Closure System, KONAR-MF™ Multi-functional Occluder and Ceraflex occluder were successively implanted in the North America, representing a breakthrough for the Group. In addition, LAmbre™ LAA Closure System, a self-developed product by Lifetech, obtained approval by the US Food and Drug Administration ("FDA") for the commencement of clinical trial initiated by researchers in the US on 24 December 2020, and the Group will charge a reasonable price for the devices. Such approval for the trial will provide valuable additional clinical data to support the market-entry process of the device in the US.

In 2020, more than a dozen of products were at the stage of clinical trials and their clinical data provided preliminary evidence proving the safety and effectiveness of the products. The COVID-19 epidemic affected normal operations of medical institutions which slightly delayed the enrollment of trial participants in some clinical trials. Nevertheless, with the stabilization and control of the epidemic, the situation has largely returned to normal at present. Besides, Futhrough™ Endovascular Needle System, IBS Angel™ Iron Bioresorbable Scaffold System and IBS Titan™ Sirolimus-Eluting Iron Bioresorbable Peripheral Scaffold System had all passed the special review application of the National Medical Products Administration in China ("NMPA") and had been approved as innovative medical devices successively. As at the date of this annual report, thirteen products of the Company have been approved as innovative medical devices by the NMPA.

In November 2020, Biotyx Medical (Shenzhen) Co., Ltd. ("Biotyx Medical") successfully introduced Series A investors, thereby obtaining the benefits of both internal and external resource advantages, which will accelerate the clinical development and application approval of iron alloy bioabsorbable stent system. It is expected that Biotyx Medical will also benefit from its independent capital market operation platform, thereby enhancing the value of the Group as a whole.

PROSPECTS

The COVID-19 epidemic has brought huge impact on the global macro economy and all industries. Tackling the challenges of the epidemic has put the medical industry under spotlight with unprecedented attention. With the public further enhancing their health awareness and the increase in market demand arising from the aging population and urbanization, the medical industry is well-positioned to continue its grow steadily which will certainly benefit the Group.

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

We will continue to evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in 2021, so as to enhance our competitiveness and market position in current key markets as well as selective new markets, and ultimately to realise the Company's strategic target in the global health industry.

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 21 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 2021

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. 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 2020, 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 show a downward trend. However, the market demand arising from the aging of population, urbanization and the increase of health awareness of the public is the force driving the steady growth of the industry. During this reporting period, the Group leveraged on its advantages in brand image, strengthened academic promotion such as hosting live demonstrations, online seminars and experience sharing by medical professionals, and optimized resources allocation 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 2020, the Group achieved a revenue of approximately RMB642.3 million, being a decrease of approximately RMB26.6 million or approximately 4.0% as compared to the revenue of approximately RMB668.9 million for the year ended 31 December 2019. Mainland China remained our largest market, as the sales generated from the Chinese market accounted for approximately 83.9% of our total revenue for the year ended 31 December 2020 (corresponding period of 2019: approximately 75.3%). Meanwhile, Europe and Asia (excluding mainland China) were our two largest overseas markets, accounted for approximately 9.0% and 4.4%, respectively, of our total revenue for the year ended 31 December 2020 (corresponding period of 2019: approximately 10.5% and 10.2%, respectively). Our domestic sales increased by approximately 7.0% while overseas sales decreased by approximately 37.4% as compared with the corresponding period of 2019. This change was mainly due to the fact that the COVID-19 epidemic had been contained in China in the second half of 2020 to a large extent such that domestic sales had gradually rebounded to normal level. However, as the epidemic situation continued to evolve overseas, governments in many places had implemented various policies to suppress the spread of the coronavirus, such as travel bans or restrictions, quarantine and temporary suspension of certain business activities. As a result, fewer patients sought medical attention in hospitals and non-emergency procedures had been postponed. Consequently, the number of procedures dropped relatively sharply, which adversely affected the Company's overseas sales business. It is expected that the demand for non-emergency procedures shall bounce back following the alleviation of the COVID-19 pandemic which would stimulate our overall sales performance.

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 broadcast workshops and trainings for medical professionals. 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 maintain the competitive strength of the Company, and also provide more effective treatments to patients around the world. In 2020, the Company continuously strengthened its innovation capabilities and accelerated the development of products, so as to maintain its leading position in the industry.

As at the date of this annual report, we made the following main progress in R&D field:

- G-iliac™ Iliac Artery Bifurcation Stent Graft System ("G-iliac™") obtained official registration approval from the NMPA. G-iliac™ is used for the treatment of abdominal iliac aneurysms or common iliac aneurysms and is the first internal iliac artery reconstruction device independently developed in China to obtain registration approval;
- LAmbre™ LAA Closure System obtained approval by the FDA for the commencement of clinical trial initiated by researchers in the US, and the Group will charge a reasonable price for the devices. Such approval for the trial will provide valuable additional clinical data to support the market-entry process of the device in the US;
- Fustar™ mini Steerable catheter, FiQure™ Vena Cava Filter Retrieval System and ZoeTrack™ Guidewire and some other products obtained the registration certificate from the NMPA;
- Futhrough™ Endovascular Needle System obtained the CE certification in Europe;
- Futhrough™ Endovascular Needle System, IBS Angel™ Iron Bioresorbable Scaffold System, IBS Titan™ Sirolimus-Eluting Iron Bioresorbable Peripheral Scaffold System and Artery Stent Graft System were approved as innovative medical devices. At present, thirteen products of the Company have been approved as innovative medical devices by the NMPA; and
- IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold ("IBS") was successfully implanted in human body in March 2018 for the first time in the world. The six-month follow-up results showed that the IBS had begun to degrade and the blood vessel lumina of the patients were open. And the two-year follow-up results showed good vessel lumen of the patients with most of the scaffold struts had been degraded. The follow-up results initially proved the safety and effectiveness of IBS, and more data in relation to the safety and effectiveness of IBS are still being collected. Meanwhile, world's first IBS Titan™ Sirolimus-Eluting Iron Bioresorbable Peripheral Scaffold to treat inferior knee artery occlusion was successfully implemented.

PATENTS AND BRANDING

Intellectual property is an important intangible asset of the Group, and is also an internal driving force to improve our core competitiveness in the medical device market. During the year ended 31 December 2020, the Group had filed 232 patent applications while 152 patents were registered. As at 31 December 2020, the Group had filed a total of 1,306 patent applications, of which 434 were registered.

In 2020, the patent "Occluder and Its Manufacturing Method" won the prize of "Guangdong Province Patent Award".

FINANCIAL REVIEW

Overview

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

Revenue

Affected by the COVID-19 epidemic, the revenue of the Group was approximately RMB642.3 million for the year ended 31 December 2020, with a slight decrease of approximately RMB26.6 million or approximately 4.0% as compared to the revenue for the year ended 31 December 2019. The decrease was mainly due to the decrease of revenue from HeartR occluders, Cera occluders and LAmbre™ LAA occluder.

Revenue from structural heart diseases business

The turnover contributed by the structural heart diseases business for the year ended 31 December 2020 was approximately RMB206.4 million (2019: approximately RMB274.4 million), representing a decrease of approximately 24.8%.

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 2019, the revenue generated from the sales of LAmbre™ LAA occluder decreased by approximately 18.8%, HeartR occluders decreased by approximately 37.2%, Cera occluders decreased by approximately 17.3% and CeraFlex occluders decreased by approximately 30.7% for the year ended 31 December 2020.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2020 was approximately RMB411.3 million (2019: approximately RMB372.5 million), representing a growth of approximately 10.4%.

The products we offered in the peripheral vascular diseases business mainly include vena cava filter, Thoracic Aortic Aneurysm stent graft, Abdominal Aortic Aneurysm stent graft and Fustar™ steerable introducer. As compared to the corresponding period of 2019, the revenue generated from the sales of stent grafts increased by approximately 17.3%, while vena cava filter decreased by approximately 3.9% for the year ended 31 December 2020.

Revenue from cardiac pacing and electrophysiology business

The turnover contributed by the cardiac pacing and electrophysiology business for the year ended 31 December 2020 was approximately RMB24.6 million (2019: approximately RMB22.0 million), representing a growth of approximately 11.8%.

Gross profit and gross profit margin

Gross profit of the Group decreased by approximately 4.1% from approximately RMB534.8 million for the year ended 31 December 2019 to approximately RMB513.1 million for the year ended 31 December 2020. Gross profit margin decreased by 0.1% from approximately 80.0% for the year ended 31 December 2019 to approximately 79.9% for the year ended 31 December 2020. The decrease was mainly due to (i) the decline in the sales volume of certain non-emergency surgeries products, which did not achieve our expectation, some inventories expired or nearly expired consequently, and the provision for inventory write-down generated therefrom brought about higher costs; and (ii) the change of sales portfolio and the sales of high gross profit margin products decreased.

Other income, expenses, gains and losses

Other income, expenses, gains and losses increased from approximately RMB94.3 million for the year ended 31 December 2019 to approximately RMB246.9 million for the year ended 31 December 2020, which was mainly attributable to (i) an increase in gain from changes in fair value of financial assets at FVTPL, and (ii) an increase in investment income from financial assets at FVTPL. Both increases were in relation to our investments in ABG-Grail Limited and Ally Bridge Group Innovation Capital Partners III, L.P.. Please refer to the section headed "Financial assets at FVTPL" below and Note 6 and Note 19 to the consolidated financial statements in this annual report for further information.

Selling and distribution expenses

Selling and distribution expenses increased by 30.0% from approximately RMB166.5 million for the year ended 31 December 2019 to approximately RMB216.4 million for the year ended 31 December 2020. The increase was mainly due to (i) an increase in staff costs; and (ii) an increase in advertising expenses.

Administration expenses

Administration expenses decreased by 21.4% from approximately RMB132.4 million for the year ended 31 December 2019 to approximately RMB104.1 million for the year ended 31 December 2020. The decrease was mainly due to (i) a decrease in staff costs; and (ii) a decrease in travel expenses, certain travel arrangements had been postponed mainly due to the impact of the COVID-19 epidemic.

Research and development expenses

Research and development expenses increased by 18.6% from approximately RMB141.1 million for the year ended 31 December 2019 to approximately RMB167.3 million for the year ended 31 December 2020. In addition, during the year ended 31 December 2020, approximately RMB53.3 million (2019: approximately RMB60.0 million) was capitalised in development expenditure. Considering such capitalised expenditure, research and development cost increased by approximately 9.7% from approximately RMB201.1 million for the year ended 31 December 2019 to approximately RMB220.6 million for the year ended 31 December 2020. The increase was primarily due to (i) an increase in staff costs; and (ii) an increase in developing projects expenditure, especially for the increase in clinical trials.

Operating profit

Operating profit increased by approximately 40.1% from approximately RMB188.8 million for the year ended 31 December 2019 to approximately RMB264.5 million for the year ended 31 December 2020. The increase was primarily due to (i) the increase of other income and other gains generated by gain from changes in fair value of financial assets at FVTPL; and (ii) the increase of other income and other gains generated by investment income from financial assets at FVTPL. Both increases were in relation to our investments in ABG-Grail Limited and Ally Bridge Group Innovation Capital Partners III, L.P.. Please refer to the section headed "Financial assets at FVTPL" below and Note 6 and Note 19 to the consolidated financial statements in this annual report for further information.

Share of results of associates

The Group holds 10.42% equity interest in Shenzhen High-Performance Medical Device National Research Institute Co., Ltd. (深圳高性能醫療器械國家研究院有限公司) ("Joint Laboratory"), which was accounted as interest in an associate. The Group held 49% equity interest in Shenzhen Shangpin Yunma Technology Co., Ltd. (深圳市尚品雲麻科技有限公司) ("Shangpin Yunma") until 30 December 2020, as Shangpin Yunma had been liquidated and deregistered on 30 December 2020.

During the year ended 31 December 2020, after a share transfer to the existing shareholder of Shenzhen Lifetech Cardio Medical Electronics Co., Ltd (深圳市先健心康電子醫療有限公司) ("Shenzhen Cardio") and a capital injection into Shenzhen Cardio from an independent third party, the Group's shareholding on Shenzhen Cardio decreased from 70% to 51% and further to 32.45%. Shenzhen Cardio became an associate of the Group.

The Group's share of losses in associates was approximately RMB2,822,000 for the year ended 31 December 2020 (2019: approximately RMB63,000).

Financial assets at FVTPL

On 10 May 2018, the Group invested USD20.0 million (equivalent to approximately RMB127.3 million) to subscribe for 2,000 participating shares representing of approximately 26.67% in ABG-Grail Limited in order to indirectly hold a minority equity interest of 15,786,150 preferred shares representing approximately 0.5% in Grail, Inc. ("GRAIL"). GRAIL is 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. 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. On 21 September, 2020, Illumina, Inc. (NASDAQ: ILMN) and GRAIL announced they have entered into a definitive agreement under which Illumina, Inc. will acquire GRAIL for cash and stock consideration of USD8,000.0 million upon closing of the transaction. In addition, GRAIL stockholders will receive future payments representing a tiered single digit percentage of certain GRAIL-related revenues. The agreement has been approved by the Boards of Directors of Illumina, Inc. and GRAIL. The fair value of our investment in ABG-Grail Limited as at 31 December 2020 amounted to RMB265.8 million, representing approximately 9.0% of the Company's total assets. The gain from fair value changes and unrealised exchange loss during the reporting period amounted to RMB134.9 million and RMB 16.1 million. No dividend arising from our investment in ABG-Grail Limited was received during the reporting period.

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 9.69% 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 fair value of our investment in the Fund as at 31 December 2020 amounted to RMB92.5 million, representing approximately 3.1% of the Company's total assets. The gain from fair value changes and unrealised exchange loss during the reporting period amounted to RMB65.2 million and RMB5.6 million. During the year ended 31 December 2020, the Fund distributed approximately USD1.4 million (equivalent to approximately RMB10.0 million) investment income to the Group.

Due to the above two investments, the aggregate unrealised foreign exchange loss in financial assets at FVTPL was approximately RMB21.7 million in 2020 (corresponding period in 2019: gain of approximately RMB2.9 million), and the aggregate gain from changes in fair value of financial assets at FVTPL was approximately RMB200.1 million in 2020 (corresponding period in 2019: approximately RMB7.1 million). The fair value on financial assets was determined with reference to valuation report carried out by an independent qualified professional valuer, GW Financial Advisory Services Limited.

Our investments in ABG-Grail Limited and the Fund were classified as financial assets at FVTPL in accordance with IFRS 9. Additional information in relation to these investments is set out in Note 19 and Note 38(c) to the consolidated financial statements in this annual report. In the opinion of the Directors, the above investments are held for long-term strategic investment purposes and, as such, the investments are classified as non-current assets.

Finance income and finance costs

The Company earned an interest income of approximately RMB6.6 million for the year ended 31 December 2020 as compared to approximately RMB2.3 million for the corresponding period in 2019.

The finance costs were approximately RMB25.7 million for the year ended 31 December 2020 as compared to approximately RMB20.2 million for the corresponding period in 2019.

Income tax

Income tax decreased from approximately RMB43.6 million for the year ended 31 December 2019 to approximately RMB35.6 million for the year ended 31 December 2020.

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2020 was approximately RMB216.1 million as compared to the net profit attributable to owners of the Company amounting to approximately RMB129.2 million in 2019. The increase was mainly due to (i) the increase of other income and other gains generated by gain from changes in fair value of financial assets at FVTPL; and (ii) the increase of other income and other gains generated by investment income from financial assets at FVTPL. Both increases were in relation to our investments in ABG-Grail Limited and Ally Bridge Group Innovation Capital Partners III, L.P.. Please refer to the section headed "Financial assets at FVTPL" above and Note 6 and Note 19 to the consolidated financial statements in this annual report for further information.

LIQUIDITY AND FINANCIAL RESOURCES

In 2020, the Group mainly financed its operations with its own working capital, bank borrowings and equity funding.

The Group recorded total current assets of approximately RMB1,544.8 million as at 31 December 2020 (2019: approximately RMB605.8 million) and total current liabilities of approximately RMB493.6 million as at 31 December 2020 (2019: approximately RMB341.2 million). As at 31 December 2020, total current liabilities of the Group primarily included trade and other payables amounting to approximately RMB265.0 million (2019: approximately RMB173.2 million) and bank borrowings amounting to approximately RMB174.5 million (2019: approximately RMB113.4 million). Trade and other payables primarily included accrued expenses of approximately RMB74.6 million (2019: approximately RMB59.2 million) primarily in relation to clinical expenses and exhibition expenses, as well as accrued payroll and bonus of approximately RMB63.5 million (2019: approximately RMB50.3 million).

Trade receivables in terms of debtor turnover days was 50 days (31 December 2019: 44 days), while trade in terms of creditor turnover days was 40 days (31 December 2019: 38 days).

The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group was approximately 3.13 as at 31 December 2020 (2019: approximately 1.78).

BORROWINGS

As at 31 December 2020, bank borrowings amounted to approximately RMB174.5 million, with a decrease of approximately RMB155.8 million as compared to approximately RMB330.3 million as at 31 December 2019. As at 31 December 2020, the bank borrowings were made in United States Dollars and Renminbi. RMB50.0 million of the RMB174.5 million bank borrowings were borrowed at fixed interest rate. The 2020 Placing (as defined under the section headed "Directors' Report - Share Capital") has boosted the equity standing of the Company and enabled the Company to place less reliance on debt financing in the foreseeable future. With the proceeds generated from the 2020 Placing, the Company repaid some of the bank borrowings in 2020 and we plan to continue reducing our level of bank borrowings during the financial year 2021. Please refer to the section headed "The 2020 Placing" under Directors' Report for further details. Particulars of the bank borrowings are set out in Note 28 to the consolidated financial statements in this annual report.

The interest incurred therefrom was approximately RMB24.7 million during the year ended 31 December 2020 (corresponding period in 2019: approximately RMB19.0 million).

CASH AND CASH EQUIVALENT

As at 31 December 2020, the Group's cash and cash equivalents were approximately RMB971.7 million, representing an increase of approximately 225.0% from approximately RMB299.0 million as at 31 December 2019. The increase was mainly attributable to the increase in cash from financing activities including the 2020 Placing and the increase in cash flow from ordinary operating activities. Our cash and cash equivalents were mainly denominated in Hong Kong Dollars and Renminbi.

GEARING RATIO

As at 31 December 2020, the gearing ratio (calculated as a ratio of total borrowings to total equity) of the Group was 7.4% (31 December 2019: 28.4%).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB2,340.1 million as at 31 December 2020 as compared to approximately RMB1,152.0 million as at 31 December 2019.

TREASURY POLICY

The Directors will continue to follow a prudent policy in managing the Group's financial resources such as cash with the objective of maintaining a strong and healthy liquidity position to ensure that the Group is placed to seize future growth opportunities as and when such opportunities appear.

PROPERTY HELD FOR DEVELOPMENT

On 26 June 2019, Dongguan LifeTech Medical Co., Ltd (東莞市先健醫療有限公司) ("Dongguan LifeTech"), a wholly-owned subsidiary of the Company entered into a land use right transfer contract with the 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, the People's Republic of China ("PRC") (the "Land"). The land use right is wholly-owned by the Group which was acquired at a total consideration of approximately RMB43.6 million.

On 24 April 2020, Dongguan LifeTech entered into a construction contract with China Construction Second Engineering Bureau Limited for the construction of an industrial park above the Land. The industrial park is expected to consist of seven buildings comprising underground carparks, comprising plant, offices, canteen and dormitories with a total site area of approximately 43,604 square meters to cater for the Group's day-to-day business and operational needs in Dongguan and nearby regions. The contract price for the construction works is up to a maximum aggregate amount of RMB620.0 million. The construction contract was approved by independent shareholders by way of poll at the extraordinary general meeting of the Company held on 30 June 2020.

The Land is currently under construction. The entire basement and approximately one-third of the total gross floor area of the upper-ground buildings of the main structure have been completed. The basic construction of all buildings of the industrial park is expected to be completed in November 2021 and it is expected that it will be ready for operational use in 2023.

For further details, please refer to the Company's announcements dated 26 June 2019, 24 April 2020 and 30 June 2020 and the circular dated 9 June 2020 for further information.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the section headed "Financial Review – Financial assets at FVTPL", there were no significant investments held by the Company for the year ended 31 December 2020, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at the date of this annual report.

Our Group's investment strategy for significant investments is to identify investment opportunities with growth potential within the healthcare industry and seek opportunities for strategic cooperation. We hold our investments in equity instruments. Our investment objective is to form long term strategic partnerships with companies in the medical industry with the potential of enriching our product lines and expanding our business scale thereby maximizing shareholders' interest and to create more value.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as of 31 December 2020.

FINANCIAL INSTRUMENT

As at 31 December 2020, the Group did not have any outstanding hedge contracts or financial derivative instruments.

CAPITAL EXPENDITURE

For the year ended 31 December 2020, the capital expenditure of the Group for property, plant and equipment (the "PPE"), construction in progress, intangible assets, right-of-use assets (2019: prepaid lease payments) and deposits for PPE/right-of-use assets amounted to approximately RMB159.6 million (31 December 2019: approximately RMB157.8 million).

FOREIGN EXCHANGE RISK

During the year ended 31 December 2020, the Group's operations were primarily based in the PRC and Europe. The revenue derived from Europe accounted for approximately 9.0% (2019: approximately 10.5%) 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 2020, the Group had pledged bank deposit of RMB108.0 million (2019: pledged bank deposits of RMB90.0 million and certain of the Group's financial assets at FVTPL of RMB146.9 million) for the purpose of securing the bank borrowings.

Save as disclosed above, as at 31 December 2020, the Group did not have other charges on its assets.

CAPITAL COMMITMENT

As at 31 December 2020, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB283.5 million (2019: approximately RMB13.9 million).

SEGMENT INFORMATION

During the year ended 31 December 2020, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. The 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 mainly relates to pacemakers. With the aging of population, urbanization and the increase of health awareness of the public driving the steady growth in the industry, together with our effort in R&D, it is expected that the market demand for the Company's products will show an upward trend in the coming new year, which will lead to business growth.

Structural heart diseases business

The Company has developed four generations of congenital heart diseases occluders to satisfy various patients' needs, and to achieve differentiated marketing strategy. At the same time, the LAmbre™ LAA occluder is the world's first Chinese-owned LAA occluder brand. Driven by a large number of patients with atrial fibrillation around the world, the global market for the LAA occluder is expected to keep growing in the future.

Peripheral vascular diseases business

The Company provides patients with the world's leading systemic comprehensive interventional medical devices treatment of peripheral vascular diseases. Among those devices, the market shares of vena cava filters and stent graft systems occupy a leading position in the domestic market. With the aging of the population, the increase of diseases detection rate and the expansion of product applications, the market demand for these products is expected to keep growing.

Cardiac pacing and electrophysiology business

The Company is the first manufacturer in China that has a complete product portfolio of implantable cardiac pacemakers with international-level technology and functions. As China currently has a large number of unsatisfied demand for pacemaker implantation treatment, and there is good potential for domestically-made pacemakers to substitute imported pacemakers, the market performance of the Company's domestically-made pacemakers is reasonably optimistic expected in the future.

Financial information related to these aspects is presented in Note 5 to the consolidated financial statements in this annual report.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group had 791 (31 December 2019: 786) full time employees and two executive Directors (31 December 2019: two). Total staff costs, including Directors' emoluments, amounted to approximately RMB314.6 million for the year 2020 (2019: approximately RMB312.0 million).

The Group operates a number of defined contribution plans. The employees of the Group who operate in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government under which the employees are entitled to a monthly pension after retirement. The Group is required to contribute a certain percentage of employee's salaries 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 aforementioned specified contributions. The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Contributions to these schemes are expensed as incurred. During the year ended 31 December 2020, the total cost paid or payable in relation to contributions to retirement benefits scheme was approximately RMB4.7 million (2019: approximately RMB14.0 million).

The Group's remuneration policies were determined with reference to the performance, qualification and working experience of individual employees, as well as the results of the Group and the market conditions. The benefits provided by the Group to its employees include discretionary bonus, transportation and lunch subsidies, basic medical insurance, work injury insurance, unemployment insurance, team commercial medical insurance, annual physical examination, share options, etc. We have a fair and effective performance appraisal system and schemes designed to motivate and reward employees at all levels for their performance and achievements. A share option scheme was adopted for employees of the Group on 22 October 2011 which was subsequently amended by unanimous written resolutions of the Board on 5 May 2015 (the "Share Option Scheme"). The Company also adopted share award scheme on 28 December 2018, which was subsequently amended by unanimous written resolutions of the Board on 29 April 2019 (the "Share Award Scheme").

Employees are the cornerstone of enterprise development, the Group is committed to providing all employees with a safe and harassment-free working environment, opportunities of equal employment, training and career development, such as new employee orientation, regulation-related training and position skills training. In 2019, the Group established a labor union to safeguard the legitimate rights of employees and further promote the sustainable, stable and healthy development of the Group. In 2020, in response to the sudden COVID-19 epidemic, the Company immediately established a leading team in charge of the prevention and control work, take practical measures to comprehensively suppress the spread of epidemic, and effectively protect the health and safety of employees. In the early stage of the epidemic, the Company arranged nucleic acid test and created home isolation conditions for employees for free, and promptly solved problems such as shortage of epidemic prevention materials and difficulty in eating. Up to now, we still insist on arranging employees on duty every day to be responsible for the epidemic prevention work, measuring the body temperature of all personnel entering the company, and distributing masks for employees for free to minimize the risk of virus transmission.

EVENTS AFTER REPORTING PERIOD

Subsequent to 31 December 2020, the Company announced that it was exploring the feasibility of issuing new ordinary shares for listing on ChiNext of the Shenzhen Stock Exchange (the "Proposed Issue of RMB Share"). As at the date of this annual report, the Proposed Issue of RMB Shares was exploratory and preliminary in nature only and there was no definitive decision on the timetable, structure, offer size or other terms and conditions of the Proposed Issue of RMB Shares. There is no assurance that the Proposed Issue of RMB Shares will proceed as contemplated or at all.

IMPACT OF THE COVID-19, OTHER PRINCIPAL RISKS AND UNCERTAINTIES

As the COVID-19 epidemic has spread to almost all countries in the world, governments around the world have promulgated various policies to suppress the spread of the coronavirus, such as closing borders, suspending production, closing workplaces and implementing curfew. Due to the prompt and strong measures taken by the Chinese government, the COVID-19 epidemic has been contained to a large extent in China. Therefore, the Company's domestic sales and the progress of domestic clinical trials gradually return to a normal level. Although the domestic epidemic trend has been encouraging lately, there are still greater uncertainties and risks in the global epidemic development, which may bring a certain degree of impact on overseas sales business. If the global epidemic cannot be fully and effectively controlled in a short term, it may have an adverse impact on company's operations. Specifically, the epidemic will likely affect the manufacturing, supply chain, sales and marketing, and clinical trial progress of us and our business partners, which may have a further negative impact on our business and financial performance.

Affected by the COVID-19 epidemic, certain non-emergency departments have suspended diagnosis and treatment services and some non-emergency surgeries have been delayed which lead to a suppression of the demand of medical services. As a result, the revenue generated by structural heart diseases business has decreased by approximately 24.8% as compared with the corresponding period in 2019. However, with the effective control of the epidemic, many hospitals in domestic resume their operations. Under this situation, peripheral vascular diseases business, based on years of clinical application foundation, has achieved a good revenue result. Compared with the corresponding period in 2019, the revenue generated by peripheral vascular diseases business has increased by approximately 10.4%. There is a risk, however, that if the delay or suspension of such treatment services and non-emergency surgeries continues, the Company's overseas sales business may not recover as expected.

In addition, the Company is exposed to potential risks stemming from changes in the macro environment, such as changes in the political and economic environment and future market competition patterns. The Company will continuously dynamically monitor such risks and conditions.

Currently, the Company has a low debt-to-asset ratio with adequate bank credit line granted by bank, unobstructed financing channels and healthy cash flow state sufficient to deal with the above-mentioned risks, support the normal operations of the business, the construction of Dongguan industrial park construction project (please refer to the section headed "Property Held For Development" in this section for further details), and the Company's long-term development.

FUTURE PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

The Group will continue to strengthen its development in the year of 2021 by relying on its existing three core business, namely structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. We will also keep expanding our distribution network, continuously developing new products and promoting resource integration, so as to further consolidate and strengthen our leading position in the interventional medical device industry.

Since the world is still affected by the COVID-19 epidemic, it is still difficult to predict the duration of the epidemic and the profoundness of its impact. In 2021, the Group will closely monitor the latest developments of the epidemic, and effectively strengthen the management of cost and operational funds, so as to ensure the sustainable development of the company. Meanwhile, we will operate existing business with prudent and pragmatic guidelines, actively seek out investment opportunities that maximizing the internets of our shareholders, and spread the business risk by expanding the source of income.

On 10 May 2018, the Group invested USD20.0 million to subscribe for an equity interest of approximately 26.67% in ABG-Grail Limited in order to indirectly acquire a minority equity interest in GRAIL. On 21 September 2020, Illumina, Inc. and GRAIL announced they have entered into a definitive agreement under which Illumina, Inc. will acquire GRAIL for cash and stock consideration of USD8,000.0 million upon closing of the transaction. It is expected that the return on this investment will be substantial for the Company.

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

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, with an emphasis on long term financial performance over short term rewards. Together with our commitment to broadening our product lines and advancing our R&D capabilities, we endeavor to generate and preserve value over the longer term and to achieve sustainable long-term growth.

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 2020 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 51, 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 2011 to 2019, Mr. XIE was appointed as a director of 6 overseas subsidiaries of our Group and 8 PRC subsidiaries of our Group. Mr. XIE was appointed as a director of 2 PRC subsidiaries of the Group in 2020. Mr. XIE is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. XIE has about 30 years of experience in business management in the PRC, including over 18 years in the medical device industry. In June 2015, Mr. XIE was appointed as a representative of the Sixth Shenzhen Municipal People's Congress. From 1991 to 1993, Mr. XIE served as the project manager of Eastern Tantalum Group (東方鉅業集團). 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 50, 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 was also appointed as the supervisor of Shenzhen LifeTech Innovation Medical Investment Co., Ltd. (深圳市先健創新醫療投資有限公司) in 2020. Mr. LIU has about 28 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.

NON-EXECUTIVE DIRECTORS

JIANG Feng (姜峰), aged 58, 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 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 51, 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 17 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph (梁顯治), aged 66, 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 of Hong Kong Limited (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 ("UIC") 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 UIC. 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 an 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 51, was appointed as an independent non-executive Director on 29 January 2016. Mr. WANG is currently the 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), he has an extensive experience in development planning and policies research for the High-Tech industry in Shenzhen, as well as in technological innovation, achievements transformation for 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). From 2014 to 2018, Mr. WANG has been appointed as 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). Mr. WANG holds a bachelor degree in Biology from the Peking University.

ZHOU Luming (周路明), aged 62, was appointed as an independent non-executive Director with effect from 1 April 2014. Mr. ZHOU is currently the president of Shenzhen CRI Innovation Center (深圳市源創力離岸創新中心) and the chairman of Shenzhen CRI Qingyuan Investment Management Co., Ltd. (深圳市源創力清源投資管理有限公司). 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 adopted the principles of corporate governance and applied the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance and confirms that it has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2020, save for a deviation from code provision A.2.1 of the CG Code as Mr. XIE Yuehui served as both the Chairman of the Board and the Chief Executive Officer. Details are set out in the section headed "Chairman and Chief Executive Officer" below. The Company is 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 a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 to the Listing Rules.

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 and the code of conduct regarding securities transactions by the Directors adopted by the Company during the year ended 31 December 2020. Details of the shareholding interests held by the Directors as at 31 December 2020 are set out on page 44 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 2020.

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)*

Non-executive Directors

JIANG Feng
FU Feng

Independent Non-executive Directors
LIANG Hsien Tse Joseph
WANG Wansong
ZHOU Luming

No member of the Board shares any relationship (including financial, business, family or other material or relevant relationships) with another member of the Board.

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, monitoring the internal control policies, evaluating the financial performance of the Group and approving the Group's annual budget, business plans, major investments and funding decisions. The Board supervises the management of the business and the affairs of the Group and sets the overall strategies and directions for the Group with a view of developing its business and enhancing shareholders' value. The Group has adopted internal guidelines which set forth matters that require the Board's approval. 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 2020, 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 as required under Rule 3.13 of the Listing Rules. The Board considers that each of the independent non-executive Directors remains independent in compliance with the Listing Rules as at the date of this annual report. As Mr. LIANG Hsien Tse Joseph has served the Company as an independent non-executive Director for more than nine years, pursuant to code provision A4.3 of the CG Code his re-election and appointment is subject to a separate resolution to be approved by the shareholders of the Company at the forthcoming annual general meeting of the Company on 28 May 2021.

The Board meets regularly and as warranted by particular circumstances. During the year ended 31 December 2020, the Board had held seven meetings for, amongst other things, reviewing and approving the financial and operating performance of the Group.

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

Name of Directors	Board Meeting	Annual General Meeting	Extraordinary General Meeting
EXECUTIVE DIRECTORS			
XIE Yuehui *(Chairman and Chief Executive Officer)*	7/7	1/1	1/1
LIU Jianxiong *(Executive Vice President, Chief Financial Officer and Company Secretary)*	7/7	1/1	1/1
NON-EXECUTIVE DIRECTORS			
JIANG Feng	6[1]/7	1/1	0/1
FU Feng	7/7	1/1	1/1
INDEPENDENT NON-EXECUTIVE DIRECTORS			
LIANG Hsien Tse Joseph	6[1]/7	0/1	1/1
WANG Wansong	7/7	1/1	0/1
ZHOU Luming	6[1]/7	0[2]/1	0[2]/1

1. Out of the seven Board meetings held during the year ended 31 December 2020, one Board meeting was attended by proxy hence it was not counted as attendance by the Director himself.

2. Attended by proxy hence it was not counted as attendance by the Director himself.

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 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

Pursuant to A.6.5 of the CG Code, all Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

During the year ended 31 December 2020, the Directors participated in a 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.

During the year ended 31 December 2020, the Directors participated in the following training:

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)*	√
Non-executive Directors:	
JIANG Feng	√
FU Feng	√
Independent non-executive Directors:	
LIANG Hsien Tse Joseph	√
WANG Wansong	√
ZHOU Luming	√

1. The training was a seminar with appropriate emphasis on the roles, functions and duties of a director of a listed company.

The Directors confirmed that they have complied with A.6.5 of the CG Code on Directors' training.

Corporate Governance Functions

The Board is responsible for performing the functions set out in D.3.1 of the CG Code. For the year ended 31 December 2020, the Company complied with code provision D.3.1 of the CG Code. During the year ended 31 December 2020, the Board met once to review and monitor the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, code of conduct applicable to the Directors and employees, the compliance with the Model Code and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

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 approval of major investments and funding decisions 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 2020 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 the Audit Committee in accordance with code provision C.3.3 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 Board will ensure that the members of the Audit Committee are appropriately qualified to discharge their responsibilities and at least one member has accounting and related financial management expertise or experience.

The terms of reference of the Audit Committee sets out its duties, authorities and responsibilities as delegated by the Board. Its primary duties pursuant to the terms of reference include:

(i) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor;

(ii) reviewing and monitoring the external auditor's independence, objectivity and the effectiveness of the audit process in accordance with applicable standards;

(iii) discussing with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(iv) monitoring the integrity of the Company's financial statements, the annual and half-yearly report and results and reviewing significant financial reporting judgements contained therein, in particular any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from audit, compliance with accounting standards and compliance with the Listing Rules and legal requirements in relation to financial reporting;

(v) considering any significant or unusual items that are, or may need to be, reflected in the report and accounts;

(vi) reviewing the Company's financial controls, risk management and internal control systems;

(vii) discussing the risk management and internal control systems with management;

(viii) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings; and

(ix) reviewing the Group's financial and accounting policies and practices.

The Audit Committee assists the Board to fulfil its oversight role over the Group's risk management and internal control functions by reviewing and evaluating the effectiveness of our overall risk management and internal control systems at least annually. The Audit Committee reviewed the risk management and internal control systems and accounting system of the Group to ensure that such systems are appropriate and effective to provide reasonable assurance that assets are safeguarded against unauthorised use or disposition, transactions are executed in accordance with management's authorisation, accounting records are reliable for preparing financial information and ensuring the business operations are in accordance with relevant legislation, regulations and internal guidelines. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Group has adopted internal policy and procedures which strictly prohibit unauthorised use of inside information and the Company has endeavored to ensure that all members of staff are aware of such policy and procedures.

During the year ended 31 December 2020, the Audit Committee held two meetings and performed the following duties:

(i) reviewed the scope of audit work to be performed by the external auditor, Deloitte Touche Tohmatsu, and met with the external auditor;

(ii) reviewed, discussed and commented on the Company's annual financial results and report in respect of the year ended 31 December 2019 and the interim financial results and report for the six months ended 30 June 2020 and the Group's financial and accounting policies and practices;

(iii) discussed matters with respect to the accounting policies and practices adopted by the Company with senior management members of the Company and the external auditor;

(iv) reviewed and commented on the Group's internal control measures, financial control and reporting systems and risk management systems; and

(v) discussed and made recommendations on the re-appointment of the external auditors and made 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	1[1]/2
Mr. WANG Wansong	2/2

The Group's annual audited results for the year ended 31 December 2020 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.

1. Out of the two Audit Committees held during the year ended 31 December 2020, one Audit Committee was attended by proxy hence it was not counted as attendance by the Director himself.

Remuneration Committee

The Board established the Remuneration Committee 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 terms of reference of the Remuneration Committee sets out its duties, authorities and responsibilities as delegated by the Board. Its primary duties pursuant to the terms of reference include:

(i) making recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies;

(ii) determining, with delegated responsibility, the remuneration packages, including, where appropriate, benefits in kind, pension rights and compensation payments including any compensation payable for loss or termination of their office or appointment, of individual executive Directors and members of the senior management;

(iii) reviewing and approving the management's remuneration proposals with reference to corporate goals and objectives resolved by the Directors from time to time;

(iv) making recommendations to the Board on the remuneration of non-executive Directors (including independent non-executive Directors);

(v) 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 2020, to, amongst other things, consider the remuneration policy and assess the performance of the executive Directors and approve the terms of Mr. XIE Yuehui's service contract. 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 the Nomination Committee 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 terms of reference of the Nomination Committee set out its duties, authorities and responsibilities as delegated by the Board. Its primary functions pursuant to the terms of reference include:

(i) reviewing the structure, size and diversity of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships. In identifying suitable candidates, the Nomination Committee shall consider candidates on merits and against objective criteria with due regard for the benefits of diversity on the Board;

(iii) assessing the independence of independent non-executive Directors;

(iv) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, taking into account the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future; and

(v) reviewing the Board Diversity Policy and the progress on achieving the objectives for implementing the Board Diversity Policy.

The Board adopted a board diversity policy in accordance with the CG Code. The Company recognizes the benefits of having a diverse Board, and considers diversity at Board level essential in achieving a sustainable and balanced development. When recommending suitable candidates to the Board, the Nomination Committee will take merits of the candidates into consideration, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The Nomination Committee held one meeting during the year ended 31 December 2020 with reference to the policy for the nomination of Directors and the nomination procedure, process and criteria to select and recommend candidates for directorship, 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 Nomination Committee reviewed the structure, size and composition of the Board to ensure it has an appropriate balance of skills, expertise and experience. Also, the Nomination Committee resolved that (i) the structure of the Board to be recommended to the Board for approval; (ii) the independence of the independent non-executive Director to be recommended to the Board for approval; (iii) nomination of the directors for re-election at the forthcoming annual general meeting ("AGM") and to be recommended to the Board for approval. 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	0[1]/1
Members:	
Mr. XIE Yuehui	1/1
Mr. LIANG Hsien Tse Joseph	1/1

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

1. Attended by proxy, hence it was not counted as attendance by the Director himself.

REMUNERATION OF EXTERNAL AUDITOR

For the year ended 31 December 2020, 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 2020.

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.

The Group has a system of internal controls conducted by internal control personnel in place, the key elements of which are as follows:

- formal policies and procedures are in place, including having proper procedures and rules relating to the delegation of authorities and use of Group's assets;
- qualified staff members are responsible for important business functions and such staff members are subject to annual appraisal procedures;
- monthly business and financial reports are prepared to provide management with relevant, timely and reliable financial and other information about the Group;
- establishing an effective incentive and restraint mechanism and risk prevention awareness, cultivates a good corporate spirit and internal control culture, and mobilizes employees' enthusiasm to create an environment where all employees fully understand and perform their duties.

During the year ended 31 December 2020, the Board has conducted a review on the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls, and discussed relevant proposals made by senior management in order to ensure adequate and effective systems of risk management and internal control. The Board will continue to conduct such review at least once a year and 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. The Board is satisfied that, based on the information supplied, coupled with its own observations and with the assistance of the Audit Committee, the present internal controls and risk management processes are satisfactory, effective and adequate for the nature and size of the Group's operations and business.

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 2020, 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 55 to 59 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 28 years of experience in the accounting field. During the year ended 31 December 2020, 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 20 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 or proposals to the Company for putting forward such enquiries and concerns to the Board. Contact details are as follows:

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

Fax: +86 755 86026251

Email: sa@lifetechmed.com

For the avoidance of doubt, Shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

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 2020, 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 last annual general meeting of the Company was held on Thursday, 28 May 2020, please refer to the Company's circular and announcement dated 15 April 2020 and 28 May 2020, respectively, for details of the meeting, major items discussed and the voting particulars. The next annual general meeting of the Company will be held on Friday, 28 May 2021.

The Board is pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2020.

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 2020 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 7 to 19 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 2020 and the material factors underlying its results and financial position are provided in the sections headed "Management Discussion and Analysis" respectively on pages 7 to 19 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 2020, 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 6 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 page 17 of this annual report.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2020 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 2020.

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 2020, approximately 24.5% of revenue from the Group's total sales of goods were attributable to the Group's five largest customers combined, while approximately 6.1% of revenue from the Group's total sales of goods were attributable to the largest customer.

During the year ended 31 December 2020, the percentage of purchases attributable to the Group's largest supplier and the five largest suppliers combined were 14.7% and 49.7%, respectively.

None of the Directors, their close 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

On 11 December 2020, the Company completed a placing of an aggregate of 287,320,000 new ordinary shares of the Company, with an aggregate nominal value of USD359.15, at a placing price of HKD3.2368 per share pursuant to a placing agreement dated 4 December 2020 (the "2020 Placing").

Details of the movements in share capital of the Company and details of the shares issued during the year ended 31 December 2020 are set out in Note 31 to the consolidated financial statements.

THE 2020 PLACING

Pursuant to the 2020 Placing, an aggregate of 287,320,000 new ordinary shares, representing approximately 6.21% of the issued share capital of the Company as enlarged by the allotment and issue of the new shares immediately after the completion of the 2020 Placing, have been successfully placed to not less than six placees who and whose ultimate beneficial owner(s), to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are independent of the Company. None of the placees and their respective ultimate beneficial owners has become a substantial shareholder (as defined under the Listing Rules) of the Company as a result of the placing.

The placing price of HKD3.2368 per placing share represents:

(i) a discount of approximately 11.6% to the closing price of HKD3.660 per share of the Company as quoted on the Stock Exchange on 3 December 2020, being the trading day prior to the date of the placing agreement;

(ii) a discount of approximately 9.3% to the average closing price of approximately HKD3.570 per share of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the placing agreement; and

(iii) a discount of approximately 2.3% to the average closing price of approximately HKD3.313 per share of the Company as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the placing agreement.

The net placing price (after deducting the costs and expenses incurred for the 2020 Placing) was approximately HKD3.2366 per placing share. The net proceeds raised from the 2020 Placing were approximately HKD930.0 million. As at 31 December 2020, the usage of the proceeds from the 2020 Placing was as follows:

Intended use of proceeds	Approximate Allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2020 (HKD in million)	Approximate Amount of net proceeds unutilized as at 31 December 2020 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Repayment of certain bank borrowings of the Group	406.0	198.6	207.4	As and when the remaining bank loans are due throughout 2021 as previously disclosed, subject to adjustments in the timing of repayments according to actual business needs
Funding potential business development involving a new overseas clinical project	465.0	—	465.0	To be applied in 2021 (HKD233.0 million), 2022 (HKD155.0 million) and 2023 (HKD77.0 million) as previously disclosed, subject to adjustments (if any)
General working capital of the Group	59.0	—	59.0	To be utilised in line with business development
Total	**930.0**	**198.6**	**731.4**	

Approximately HKD198.6 million of the net proceeds of the 2020 Placing had been utilised in accordance with the intended use of proceeds. There has been no change in the intended use of net proceeds. The unutilised net proceeds would be brought forward to the next financial year and will be gradually utilised in accordance with the above intended purposes.

The Directors consider that the 2020 Placing represented an opportunity to raise capital while broadening its capital and shareholder base. The Directors were of the view that the 2020 Placing would strengthen the financial position of the Company and provide working capital to the Company.

For further details, please refer to the Company's announcements dated 4 December 2020 and 11 December 2020.

CORPORATE GOVERNANCE

In the opinion of the Directors, the Company has adopted the principles of corporate governance and complied with the code provisions in the CG Code as set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2020, save for the deviation from A.2.1 of the CG Code that both the roles of Chairman of the Board and the Chief Executive Officer were served by the same individual. For further information on the Group's corporate governance practices during the year, please refer to the Corporate Governance Report in this annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2020, the Company's reserves available for distribution to its owners of the Company amounted to approximately RMB1,114.5 million (2019: approximately RMB476.4 million).

Details of movements in the reserves of the Group during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 December 2020 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 as at the latest practicable date prior to the issue of this annual report, at least 25% of the Company's total issued share capital was held by the public in compliance with the public float requirement under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association and the laws of the 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 2020, 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 which has undertaken the management and administration of 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)*

Non-executive Directors

JIANG Feng
FU Feng

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, 10 November 2017, Mr. XIE Yuehui and the Company renewed the service contract which is subject to manual renewal every three years. On 10 November 2020, Mr. XIE Yuehui and the Company further 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. On 27 March 2021, Mr. LIU Jianxiong and the Company further 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 and 26 April 2019, Mr. JIANG Feng and the Company renewed the appointment letter 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 and 26 April 2019, each of Mr. LIANG and Mr. ZHOU 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 and 26 April 2019, Mr. WANG Wansong and the Company renewed the appointment letter 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 2020, 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.

The emoluments of the executive Directors and senior management were determined by the Remuneration Committee, with delegated responsibility from the Board, after taking into account factors including the Group's operating results, individual performance, comparable market practices and their individual qualification, position and seniority. The remuneration of non-executive Directors (including independent non-executive Directors) is determined by the Board after considering recommendations from the Remuneration Committee. None of the Directors waived or agreed to waive any remuneration during the year ended 31 December 2020 and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The Company has adopted a share option scheme as an incentive for the Directors and eligible employees. Details of the scheme are set out in the section headed "Share Option Scheme" below and Note 33 to the consolidated financial statements.

The remunerations paid to the senior management of the Company, who are also executive Directors, during the year ended 31 December 2020 were within the following bands:

Bands	Number of senior management
RMB3,000,001to RMB4,000,000	1
RMB4,000,001to RMB5,000,000	1

Mr. XIE Yuehui, as a nominee for members of the Company's management team, as at 31 December 2020 was interested in 25% shareholding in Shenzhen LifeTech New Materials Technology Corporation LLP (a limited liability partnership) (深圳市先健新材料科技企業(有限合夥)) ("Shenzhen Lifetech New Materials"), which was interested in 4.46% shareholding in Biotyx Medical, a subsidiary of the Group. It is the Company's plan that the shares of Shenzhen Lifetech New Materials currently held by Mr. XIE Yuehui will eventually be distributed to the members of the Company's management team as a recognition by the Company of the contribution made by the Company's management team and to further incentivize the Company's management team in the future. The remaining 75% shareholding in Shenzhen LifeTech New Materials is held by an employee of the Company. Shenzhen Lifetech New Materials is not engaged in any active business operations.

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the 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 2020, 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:

Long positions in ordinary shares and underlying shares of the Company

Name of Directors/ chief executive	Nature of interest	Number of ordinary shares	Percentage of the Company's issued share capital
XIE Yuehui	Interest of controlled corporation and beneficial owner	801,514,928[1]	17.32%
LIU Jianxiong	Beneficial owner	24,940,000[2]	0.54%

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 2020, 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 2020, 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:

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	16.90%
Bank of Communications Trustee Limited	303,030,000	Beneficial owner	6.55%
Gaoling Fund, L.P. (Note 2)	413,716,000	Beneficial owner	8.94%
Hillhouse Capital Advisors, Ltd.	428,738,000	Investment manager	9.27%
Assicurazioni Generali SpA	259,960,000	Interest in a controlled corporation	5.62%
Li Zhenfu	259,960,000	Interest in a controlled corporation	5.62%

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: Gaoling Fund, L.P. is a limited partnership formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. serves as the sole investment manager of Gaoling Fund, L.P. and is deemed to be interested in the shares held by Gaoling Fund, L.P. and other controlled entity under the SFO.

Save as disclosed above, as at 31 December 2020, 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 resolution 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 compliance and consistence 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 is 400,000,000, being not more than 10% of the issued share capital of our Company as at 10 November 2011, being the listing date of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (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.

As at 31 December 2020 and 30 March 2021, the total number of shares available for issue under the Share Option Scheme that has not been exercised was 73,221,600 shares and 72,451,600 shares respectively, representing 1.58% and 1.57%, respectively, of the issued shares of the Company.

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 HKD1.00 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 2020 to 31 December 2020:

					Number of shares					
Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 1 January 2020	Exercised during the year ended 31 December 2020	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/ Lapsed during the year ended 31 December 2020	Outstanding as at 31 December 2020
Directors/Chief Executives										
Mr. XIE Yuehui	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HKD1.464	19,600,000	19,600,000	–	–	–	19,600,000
Sub-total					19,600,000	19,600,000	–	–	–	19,600,000
Mr. LIU Jianxiong	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HKD1.464	16,800,000	16,800,000	–	–	–	16,800,000
Sub-total					16,800,000	16,800,000	–	–	–	16,800,000

Name	Date of grant	Vesting schedule	Option period	Exercise price	Number of shares: Granted on the date of grant	Outstanding as at 1 January 2020	Exercised during the year ended 31 December 2020	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/ Lapsed during the year ended 31 December 2020	Outstanding as at 31 December 2020
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	HKD1.464	123,600,000	56,815,200 (Note 1)	(19,645,200)	HKD2.462	(348,400)	36,821,600 (Note 2)
Sub-total					123,600,000	56,815,200	(19,645,200)	–	(348,400)	36,821,600
Total					160,000,000	93,215,200	(19,645,200)	–	(348,400)	73,221,600

Note 1: The 56,815,200 outstanding share options as at 1 January 2020 were held by 34 grantees who were employees of the Group.

Note 2: The 36,821,600 outstanding share options as at 31 December 2020 were held by 21 grantees who were employees of the Group as at 31 December 2020.

During the year ended 31 December 2020, no options were granted pursuant to the Share Option Scheme.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 28 December 2018 which was subsequently amended by an unanimous written resolution of the Board on 29 April 2019.

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.

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 as at 31 December 2020.

During the year ended 31 December 2020, a total of 312,620,000 shares of the Company have been granted by the Company to certain senior management/employees at a price of HKD1.35 per share which have been fully vested at the same date under Share Award Scheme but remained unsubscribed as at 31 December 2020. There were no vesting conditions attached to the Award Shares (as defined below). The Company funded the Share Award Scheme and the subscriptions are recorded by the Company as share-based payments determined based on the difference between market price of the Awarded Shares and considerations receivable from the grantees.

1. Objective of the Share Award Scheme

The objectives of the Share Award Scheme are (i) recognise and motivate the contributions by certain eligible participants and to incentivize them and 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.

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

The Board may at its discretion grant shares of the Company pursuant to the Share Award Scheme ("Award Shares") to any full-time or part-time employees, Directors (including executive Directors and non-executive Directors) of the Company or any member of the Group who in the sole opinion of the Board will contribute or have contributed to any member of the Group (collectively the "Selected Participants").

3. Maximum number of Award Shares

Pursuant to the rules of the Share Award Scheme, the Board shall not make any further grant of Award Shares such that the total number of shares granted under the Share Award Scheme will exceed 10% of the total number of issued shares as at 28 December 2018 of (the "Adoption Date"). The maximum number of Award shares that may be granted under the Share Award Scheme is 433,629,120 shares.

As at 31 December 2020, an aggregate of 312,620,000 Award Shares had been granted to certain Selected Participants subject to the terms of the Share Award Scheme and certain other terms and conditions.

4. **Amount payable for the Award Shares**

An offer of grant of Award Shares shall remain open for acceptance by the Selected Participants concerned for such period as determined by the Board, which period shall not be more than ten (10) business days from the date of the offer. In order to subscribe for the Award Shares, the grantee shall submit relevant notice(s) and make the payment of any amount as specified by the Board to the Company, thereafter the Company will instruct the New Trustee in writing to allot the corresponding Award Shares to the relevant grantee after the receipt of aforesaid notice(s) and the subscription monies.

5. **Conditions**

The Board may specify any conditions or performance targets that must be attained by the relevant Selected Participant before any Award Shares may be transferred to and vested in the Selected Participant.

6. **Remaining Life of the Share Award Scheme**

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date after which no further Award Share may be offered.

The table below sets out the movements of Award Shares during the period from 1 January 2020 to 31 December 2020:

Name	Date of grant	Vesting date	Issue price	As at 1 January 2020	Number of shares granted during the year	Number of shares vested during the year	Cancelled/ Lapsed during the year ended 31 December 2020	Outstanding as at 31 December 2020
Other Grantees								
Aggregate of other Grantees (6 employees)	29 September 2020	29 September 2020	HKD1.35 (Note)	–	312,620,000	312,620,000	–	312,620,000
Total				–	312,620,000	312,620,000	–	312,620,000

Note: The issue price of HKD1.35 per share in respect of the 312,620,000 Award Shares granted during the year ended 31 December 2020 was determined based on (i) the cost of purchasing the Sale Shares from the Vendor and (ii) the cost of purchasing the 12,620,000 shares of the Company on the Stock Exchange during the year ended 31 December 2020.

TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in Note 40 (Related Party Transaction) to the consolidated financial statements, (a) there is no transaction, arrangement or contract of significance subsisting during or at the end of the financial year ended 31 December 2020 in which a Director or an entity connected with a Director is or was materially interested, either directly or indirectly; (b) there is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder of the Company or any of its subsidiaries; (c) there is no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder of the Company or any of its subsidiaries.

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 2020, 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

During the year ended December 31, 2020, we have not entered into any non-exempt connected transaction or continuing connected transaction which should be disclosed pursuant to Rules 14A.49 and 14A.71 of the Listing Rules.

Related party transaction

During the year ended December 31, 2020, none of the related parties transactions as disclosed in Note 40 to the consolidated financial statements in this annual report constituted any non-exempt connected transaction or continuing connected transaction which are required to be disclosed pursuant to the Listing Rules.

In 2020, 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.

TAX RELIEF

The Company is not aware of any relief from taxation available to its shareholders by reason of their holding of Company's shares.

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

Apart from the 2020 Placing as disclosed under the section headed "The 2020 Placing" under Directors' Report, during the year ended 31 December 2020, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2020, none of our Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective associates had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group which would require disclosure under Rule 8.10 of the Listing Rules.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Company strives to maintain a good relationship with its employees, customers and suppliers in order to operate a sustainable business and to meet its short-term and long-term objectives.

The Company believes that our employees are our most important and valuable assets. As discussed in the section headed "Employees and Remuneration Policy" under "Management Discussion and Analysis", we provide our employees with remuneration packages that take into account their performance, qualification and working experience, results of the Group and market conditions with additional benefits including bonuses, various kinds of subsidies and insurance coverage.

The Company strives to maintain and reinforce sound relationships with its customers and suppliers. The Directors and senior management of the Company endeavour to communicate with its customers and suppliers from time to time. We invest in R&D and place emphasis on customers' feedback in order to deliver quality products to our customers and stay competitive in the market.

During the year, there was no material and significant dispute between the Group and its employees, customers or suppliers.

BANK BORROWINGS

The Group has recorded bank borrowings of approximately RMB174.5 million as at 31 December 2020 (2019: approximately RMB330.3 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 2020.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the 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 2020.

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 2020. 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 2021

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 60 to 158, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 the 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 reporting 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 17 to the consolidated financial statements, the carrying amount of the Group's development cost is RMB269,424,000 as at 31 December 2020. 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 enquiring 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 Matters - *continued*

Key audit matter	How our audit addressed the key audit matter
Financial assets at fair value through profit or loss	
We identified the fair value measurements of 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, 19 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 gains from changes in fair value were amounted to RMB200,074,000 for the year ended 31 December 2020.	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, actions taken to eliminate threats or safeguards applied.

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 Wu Ka Ming.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	5	**642,299**	668,879
Cost of sales		**(129,154)**	(134,059)
Gross profit		**513,145**	534,820
Other income, expenses, gains and losses	6	**246,906**	94,254
Impairment losses under expected credit loss model, net of reversal	7	**(7,808)**	(344)
Selling and distribution expenses		**(216,373)**	(166,468)
Administration expenses		**(104,107)**	(132,395)
Research and development expenses		**(167,274)**	(141,112)
Operating profit		**264,489**	188,755
Finance cost, net	8	**(19,043)**	(17,881)
Share of results of associates		**(2,822)**	(63)
Profit before tax	9	**242,624**	170,811
Income tax expense	11	**(35,581)**	(43,647)
Profit for the year		**207,043**	127,164
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**1,037**	11
Total comprehensive income for the year		**208,080**	127,175
Profit (loss) for the year attributable to:			
Owners of the Company		**216,085**	129,200
Non-controlling interests		**(9,042)**	(2,036)
		207,043	127,164
Total comprehensive income (expense) attributable to:			
Owners of the Company		**217,122**	129,211
Non-controlling interests		**(9,042)**	(2,036)
		208,080	127,175
Earnings per share	13		
– Basic		**RMB5.0 cents**	RMB3.1 cents
– Diluted		**RMB4.9 cents**	RMB3.1 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment	14	**414,262**	366,373
Right-of-use assets	15	**69,259**	81,810
Investment properties	16	**148,197**	150,187
Intangible assets	17	**304,903**	258,912
Interests in associates	18	**12,729**	3,437
Financial assets at fair value through profit or loss ("FVTPL")	19	**358,298**	179,888
Deposits for acquisition of property, plant and equipment/right-of-use assets		**16,159**	3,518
Deferred tax assets	20	**35,896**	32,300
Fixed bank deposit	24	**50,000**	—
Pledged bank deposits	24	**—**	90,000
		1,409,703	1,166,425
Current assets			
Inventories	21	**99,623**	99,125
Trade receivables	22	**107,135**	72,549
Other receivables and prepayments	23	**87,413**	85,100
Fixed bank deposits	24	**170,992**	50,000
Pledged bank deposits	24	**108,000**	—
Bank balances and cash	24	**971,683**	299,027
		1,544,846	605,801
Current liabilities			
Trade and other payables	25	**265,046**	173,164
Contract liabilities	26	**14,216**	5,408
Tax payables		**33,031**	37,573
Lease liabilities	30	**6,846**	11,660
Bank borrowings	28	**174,462**	113,418
		493,601	341,223
Net current assets		**1,051,245**	264,578
Total assets less current liabilities		**2,460,948**	1,431,003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current liabilities			
Government grants	27	30,285	40,968
Lease liabilities	30	4,673	11,526
Bank borrowings	28	—	216,847
Financial liabilities at FVTPL	29	67,500	—
		102,458	269,341
Net assets		2,358,490	1,161,662
Capital and reserves			
Share capital	31	37	35
Reserves		2,340,108	1,151,977
Equity attributable to owners of the Company		2,340,145	1,152,012
Non-controlling interests		18,345	9,650
Total equity		2,358,490	1,161,662

The consolidated financial statements on pages 60 to 158 were approved and authorised for issue by the board of directors on 30 March 2021 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 2020

	Attributable to owners of the Company													
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Share option reserve RMB'000	Reserve 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 2019	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	–	–	–
	–	(20,264)	975	11	–	(50,855)	(339,596)	–	–	10,117	311,195	(88,417)	6,189	(82,228)
At 31 December 2019	35	777,668	975	689	50,259	74,347	(339,596)	(3)	32,531	–	555,107	1,152,012	9,650	1,161,662
Profit (loss) for the year	–	–	–	–	–	–	–	–	–	–	216,085	216,085	(9,042)	207,043
Other comprehensive income for the year	–	–	–	1,037	–	–	–	–	–	–	–	1,037	–	1,037
Total comprehensive income (expense) for the year	–	–	–	1,037	–	–	–	–	–	–	216,085	217,122	(9,042)	208,080
Release upon disposal/deregistration of subsidiaries	–	–	–	–	(52)	–	–	–	–	–	–	(52)	(2,973)	(3,025)
Recognition of equity-settled share-based payments	–	–	–	–	–	3,294	151,239	–	–	–	–	154,533	–	154,533
Exercise of share options	–	39,800	–	–	–	(14,249)	–	–	–	–	–	25,551	–	25,551
Disposal of interest in a subsidiary	–	–	500	–	–	–	–	–	–	–	–	500	1,850	2,350
Capital contributed by non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	18,860	18,860
Issue of new shares, net of transaction cost (note 31)	2	790,477	–	–	–	–	–	–	–	–	–	790,479	–	790,479
	2	830,277	500	1,037	(52)	(10,955)	151,239	–	–	–	216,085	1,188,133	8,695	1,196,828
At 31 December 2020	37	1,607,945	1,475	1,726	50,207	63,392	(188,357)	(3)	32,531	–	771,192	2,340,145	18,345	2,358,490

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 Scientific (Shenzhen) Co., Ltd. 先健科技（深圳）有限公司 ("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 (2020: Nil) of the Company on The Stock Exchange of Hong Kong Limited of an aggregate consideration (including transaction cost) of approximately RMB11,874,000. 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 ordinary shares from Synergy Summit Limited (the "Vendor"), a substantial shareholder of the Company, with funding provided by the Company. The consideration for the shares was set at HKD1.23 per ordinary share and the ordinary shares will be granted to any employee, executive and non-executive director of the Company (the "Eligible Participants") who will contribute to the Company. During the year ended 31 December 2019, in accordance with the Share Award Scheme, a total of 300,000,000 shares at a consideration of RMB324,314,000 had been purchased from the Vendor, and a total of 12,620,000 ordinary shares at a consideration of RMB15,282,000 had been purchased from the market (together the "Awarded Shares").

Pursuant to the grant notices and vesting notices to Eligible Participants dated 29 September 2020, a total of 312,620,000 ordinary shares of the Company have been granted by the Company to certain senior management / employees at a price of HKD1.35 per ordinary share and fully vested at the same date under Share Award Scheme but remained unsubscribed as at 31 December 2020. There were no vesting conditions attached to such Awarded Shares. The Company determined the share-based payments based on the difference between the closing market price of the Awarded Shares at the grant date and considerations receivable from Eligible Participants upon exercise.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**242,624**	170,811
Adjustments for:		
Amortisation of intangible assets	**7,004**	6,998
Changes in fair value of financial assets at FVTPL	**(200,074)**	(7,142)
Depreciation of investment properties	**5,655**	5,489
Depreciation of right-of-use assets	**16,014**	13,283
Depreciation of property, plant and equipment	**33,955**	29,422
Finance cost, net	**19,043**	17,881
Gain on disposal/deregistration of subsidiaries	**(5,703)**	—
Government grants	**(21,349)**	(29,640)
Impairment losses under expected credit loss model, net of reversal	**7,808**	344
Loss on deregistration of an associate	**546**	—
(Gain) loss on disposal of property, plant and equipment	**(223)**	76
Share-based payment expenses	**153,978**	125,850
Share of results of associates	**2,822**	63
Unrealised foreign exchange loss	**49,468**	3,402
Write-down on inventories	**4,237**	2,366
Operating cash flows before movements in working capital	**315,805**	339,203
Increase in inventories	**(4,735)**	(30,756)
Decrease in trade receivables	**16,847**	18,436
Increase in other receivables and prepayments	**(2,190)**	(28,386)
Increase in trade and other payables	**42,211**	16,419
Increase in contract liabilities	**8,808**	1,400
Government grants received for operating activities	**5,505**	6,161
Cash generated from operations	**382,251**	322,477
Income taxes paid	**(43,719)**	(47,491)
NET CASH FROM OPERATING ACTIVITIES	**338,532**	274,986

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Placement of fixed bank deposits	**(220,992)**	(110,000)
Deposits paid for and purchase of property, plant and equipment	**(105,074)**	(56,592)
Development costs paid	**(52,731)**	(54,090)
Placement of pledged bank deposits	**(48,000)**	(60,000)
Acquisition of/capital injection in investments in associates	**(10,000)**	(3,500)
Payments for intangible assets	**(577)**	(3,372)
Withdrawal of fixed bank deposits	**50,000**	65,000
Withdrawal of pledged bank deposits	**30,000**	—
Interest received from bank deposits	**6,649**	2,336
Government grants received for acquisition of plant and equipment	**6,539**	9,150
Proceeds from disposal of property, plant and equipment	**2,166**	19
Proceeds from deregistration of an associate	**390**	—
Payments for right-of-use assets/leasehold land	**—**	(44,940)
NET CASH USED IN INVESTING ACTIVITIES	**(341,630)**	(255,989)
FINANCING ACTIVITIES		
Proceeds from issue of new shares, net of transaction costs	**790,479**	—
Bank borrowings raised	**131,179**	311,331
Issue of financial liabilities at FVTPL	**67,500**	—
Proceeds from issue of shares upon exercise of share options	**25,551**	1,105
Capital contributed by non-controlling interests of subsidiaries	**17,360**	9,200
Repayments of bank borrowings	**(314,786)**	(11,370)
Interest paid for bank borrowings	**(24,700)**	(18,985)
Repayments of lease liabilities	**(15,099)**	(12,080)
Return of capital to non-controlling interest upon deregistration of a subsidiary	**(1,827)**	—
Repayments of interests on lease liabilities	**(992)**	(293)
Purchase of shares under Share Award Scheme	**—**	(339,596)
Repurchase and cancellation of ordinary shares	**—**	(11,874)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**674,665**	(72,562)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**671,567**	(53,565)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**299,027**	352,577
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**1,089**	15
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	**971,683**	299,027

1. GENERAL INFORMATION

LifeTech Scientific Corporation (the "Company" or "LifeTech") 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 PRC.

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and amendments to the IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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

New and amendments to IFRSs in issue 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 and the related Amendments[1]
Amendment to IFRS 16	Covid-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 - 2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to IFRS 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.

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

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

Amendment to IFRS 16 Covid-19-Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 *Leases* if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment is not expected to have significant impact on the consolidated financial position and performance of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the International Accounting Standards Board ("IASB"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.1 Basis of preparation of consolidated financial statements - *continued*

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

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, 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* ("IAS 36").

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.

3.2 Significant accounting policies

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Basis of consolidation - continued

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 in 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Basis of consolidation - continued

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in associates and joint ventures

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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures 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 or a joint venture 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 or joint venture. Changes in net assets of the associate or joint venture 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 or joint venture 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 or joint venture), 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 or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Investments in associates and joint ventures - continued

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture 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.

When the Group ceases to have significant influence over an associate or a joint venture, 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 or joint venture 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 or joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture 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 or joint venture.

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

When the Group reduces its ownership interest in an associate or a joint venture 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 or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

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.

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

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 on or after the date of initial application or arising from business combinations, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Leases - continued

The Group as lessee

Short-term leases and leases of low-value assets

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

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 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Leases - continued

The Group as lessee - *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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Leases - continued

The Group as lessee - *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, less any lease incentives receivable, 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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Leases - continued

The Group as a lessor - *continued*

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

Changes in considerations of lease contracts that are not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

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 the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Foreign currencies - continued

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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 "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 related to income 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. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Employee benefit

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 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.

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 / reserve for share award scheme will be transferred to accumulated profits.

Share awarded to employees

For shares under Share Award Scheme that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

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" 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 deferred tax 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Taxation - continued

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. 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.

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 is presented as "right-of-use assets" 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Property, plant and equipment - continued

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 at 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 estimated 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 the 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.

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 recognised 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Intangible assets - continued

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.

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 recognised 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 that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

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

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 testing a cash-generating unit for impairment, corporates assets are allocated to the relevant 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 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.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

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 market place.

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 *Revenue from Contracts with Customers* ("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 FVTPL) 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 FVTPL recognised immediately in profit or loss.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

Classification and subsequent measurement of financial assets - continued

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 FVTPL, except that at 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.

(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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

Classification and subsequent measurement of financial assets - continued

(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 assessment 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.

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, in which case 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

Impairment of financial assets - continued

(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; or
- 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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

Impairment of financial assets - continued

(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.

(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 and 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.

Lifetime ECL for certain trade receivables is considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial assets - *continued*

Impairment of financial assets - continued

(v) Measurement and recognition of ECL - *continued*

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.

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 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial liabilities and equity - *continued*

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is 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, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated profits upon derecognition of the financial liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES - *continued*

3.2 Significant accounting policies - *continued*

Financial instruments - continued

Financial liabilities and equity - *continued*

Financial liabilities at FVTPL - continued

The Group's financial liabilities at FVTPL are shares issued by a subsidiary, as detailed in Note 29, which are mandatorily redeemable if certain specific conditions are not met and classified as liabilities.

The dividends on these shares are recognised in profit or loss as finance costs.

The Group designated these shares as financial liability at FVTPL. Subsequent to initial recognition, these shares are carried at fair value with changes in fair value recognised in profit or loss in the period in which it arises.

Financial liabilities at amortised cost

Financial liabilities representing trade and other payables and 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 liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS AND 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.

Critical judgement in applying accounting policies

Capitalisation of development costs

As at 31 December 2020, the carrying amount of the Group's development costs is RMB269,424,000 (2019: RMB216,138,000). The capitalisation involved management's judgement in assessing of whether technical and commercial feasibility of each project had been achieved. Technical feasibility is evaluated based on testing results of products and commercial feasibility is evaluated based on forecast with assumptions on revenue to be generated, budget costs to be incurred and relevant market analysis of the relevant product.

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.

Key sources of estimation uncertainty

Financial assets at FVTPL

As at 31 December 2020, the fair value of the Group's financial assets at FVTPL is RMB358,298,000 (2019: RMB179,888,000). 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 19 and 38(c).

5. REVENUE AND SEGMENT INFORMATION

A. For the year ended 31 December 2020

Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2020		
	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	206,458	411,276	24,565
Geographical markets			
PRC	125,630	388,757	24,565
Europe	43,134	14,545	—
Asia, excluding PRC and India	15,575	1,550	—
India	8,760	2,309	—
South America	9,609	3,789	—
Africa	2,845	306	—
Others	905	20	—
Total	206,458	411,276	24,565
Timing of revenue recognition			
At a point in time	206,458	411,276	24,565
Sales channel			
Wholesale	206,458	411,276	24,565
Total	206,458	411,276	24,565

5. REVENUE AND SEGMENT INFORMATION - *continued*

A. For the year ended 31 December 2020 - *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 bearing the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days (2019: 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 2019

	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*

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 *Operating Segments* ("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 2020

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac padding and electrophysiology business RMB'000	Subtotal RMB'000	Elimination RMB'000	Total RMB'000
SEGMENT REVENUE						
External sales	206,458	411,276	24,565	642,299	–	642,299
Inter-segment sales	90,646	19,298	1,401	111,345	(111,345)	–
	297,104	430,574	25,966	753,644	(111,345)	642,299
Segment profit (loss)	179,855	329,088	(2,260)	506,683	–	506,683
Unallocated income						
– Finance income						6,649
– Other income and other gains						274,771
Unallocated expense						
– Selling and distribution expenses						(216,373)
– Administration expenses						(104,107)
– Research and development expenses						(167,274)
– Other expenses and losses						(27,865)
– Impairment losses under expected credit loss model, net of reversal						(1,346)
– Finance costs						(25,692)
– Share of result of associates						(2,822)
Profit before tax						242,624

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(a) Segment revenue and results - *continued*

For the year ended 31 December 2019

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac padding 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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment profit (loss) represents the gross profit (loss) 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:

Segment assets

	31 December 2020 RMB'000	31 December 2019 RMB'000
Operating segments		
Structural heart diseases business	**255,217**	298,724
Peripheral vascular diseases business	**554,796**	454,185
Cardiac pacing and electrophysiology business	**113,683**	100,612
Total segment assets	**923,696**	853,521
Unallocated assets		
Interests in associates	**12,729**	3,437
Property, plant and equipment	**78,293**	15,041
Right-of-use assets	**69,259**	81,810
Investment properties	**148,197**	150,187
Deferred tax assets	**35,896**	32,300
Financial assets at FVTPL	**358,298**	179,888
Other receivables and prepayments	**16,354**	13,011
Bank balances and cash	**971,683**	299,027
Fixed bank deposit	**220,992**	50,000
Intangible assets	**—**	3,832
Pledged bank deposit	**108,000**	90,000
Deposits paid for property, plant and equipment/right-of-use assets	**11,152**	172
Consolidated assets	**2,954,549**	1,772,226

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(b) Segment assets and liabilities - *continued*

Segment liabilities

	31 December 2020 RMB'000	31 December 2019 RMB'000
Operating segments		
Structural heart diseases business	**25,475**	6,268
Peripheral vascular diseases business	**60,464**	8,881
Cardiac pacing and electrophysiology business	**3,743**	183
Total segment liabilities	**89,682**	15,332
Unallocated liabilities		
Other payables	**184,442**	159,480
Tax payables	**33,031**	37,573
Government grants	**35,423**	44,728
Bank borrowings	**174,462**	330,265
Lease liabilities	**11,519**	23,186
Financial liabilities at FVTPL	**67,500**	—
Consolidated liabilities	**596,059**	610,564

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/right-of-use assets; 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, bank borrowings and financial liabilities at FVTPL.

5. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information - *continued*

(c) Other segment information

For the year ended 31 December 2020

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Capital expenditure (Note)	31,688	63,124	3,770	61,034	159,616
Depreciation of property, plant and equipment	10,043	20,007	1,195	2,710	33,955
Amortisation of intangible assets	2,251	4,485	268	–	7,004
Write-down on inventories	1,362	2,713	162	–	4,237
Impairment loss recognised on trade receivables	2,077	4,139	246	–	6,462

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	Unallocated 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

Note: Capital expenditure includes additions to property, plant and equipment, intangible assets, right-of-use assets and deposits for property, plant and equipment/right-of-use assets.

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	
	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000	**31 December 2020 RMB'000**	31 December 2019 RMB'000
PRC (country of domicile)	**538,952**	503,847	**963,593**	862,115
Europe	**57,679**	70,294	**566**	1,607
India	**11,069**	27,404	**21**	512
Asia, excluding PRC and India	**17,125**	41,080	**1,329**	3
South America	**13,398**	20,064	**—**	—
Africa	**3,151**	2,995	**—**	—
Others	**925**	3,195	**—**	—
Total	**642,299**	668,879	**965,509**	864,237

Note: Non-current assets excluded financial assets at FVTPL, fixed bank deposit, pledged bank deposits and deferred tax assets.

(e) Information about major customers

No customer contributed to over 10% of the total sales of the Group during the year of 2020 and 2019.

6. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Other income and expenses		
Government grants (Note 27)	21,349	29,640
Rental income from operating leases	37,918	49,456
Other receivables previously written-off recovered	—	12,054
Depreciation of investment properties	(5,655)	(5,489)
Others	3,507	2,961
	57,119	88,622
Other gains and losses		
Gain (loss) on disposal of property, plant and equipment	223	(76)
Loss of deregistration of an associate	(546)	—
Gain on disposal/deregistration of subsidiaries (Note)	5,703	—
Unrealised foreign exchange (loss) gain in financial assets at FVTPL	(21,664)	2,881
Other net foreign exchange gain (loss)	5,997	(4,315)
Gain from changes in fair value of financial assets at FVTPL	200,074	7,142
	189,787	5,632
	246,906	94,254

Note: The amount represented a gain on disposal of a subsidiary Shenzhen Lifetech Cardio Medical Electronics Co., Ltd (深圳市先健心康電子醫療有限公司) ("Shenzhen Cardio"). After a share transfer to the then existing shareholder of Shenzhen Cardio and a capital injection in Shenzhen Cardio from an independent third party, the Group's shareholding in Shenzhen Cardio decreased from 70% to 51% (at which point the Group has lost control over Shenzhen Cardio) and further to 32.45% during the year ended 31 December 2020. Shenzhen Cardio eventually became an associate of the Group as detailed in Note 18(iii). Shenzhen Cardio has been accounted for using the equity method of accounting since the Group lost control over it.

Shenzhen Cardio did not have significant contribution to the results and cash flows of the Group during the current year nor does it have significant assets and liabilities as at the date of disposal.

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

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Net impairment losses recognised on:		
– Trade receivables	6,462	120
– Other receivables	1,346	224
	7,808	344

Details of impairment assessment for the year ended 31 December 2020 and 2019 are set out in Note 38.

8. FINANCE COST, NET

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Finance income from:		
Interest income on bank deposits	6,649	2,336
Finance cost from:		
Interest expense on bank borrowings	(24,700)	(18,985)
Interest expense on lease liabilities	(992)	(1,232)
	(25,692)	(20,217)
Finance cost, net	(19,043)	(17,881)

9. PROFIT BEFORE TAX

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration (Note 10)		
Directors' fees	**432**	432
Salaries, wages and other benefits	**126,330**	163,873
Performance related bonus	**45,249**	27,569
Share-based payment expenses	**154,533**	131,762
Retirement benefits scheme contributions	**4,673**	14,003
Less: capitalised in development costs, construction in progress and inventories	**(16,635)**	(25,636)
	314,582	312,003
Auditor's remuneration (including audit and non-audit services)	**1,800**	1,800
Cost of inventories recognised as expenses (Note i)	**129,154**	134,059
Depreciation of property, plant and equipment	**33,955**	29,422
Depreciation of investment properties	**5,655**	5,489
Depreciation of right-of-use assets	**16,014**	13,283
Amortisation of intangible assets (Note ii)	**7,004**	6,998
Total depreciation and amortization	**62,628**	55,192
Gross rental income from investment properties	**(37,918)**	(49,456)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**5,655**	5,489
	(32,263)	(43,967)

Notes:

(i) For the year ended 31 December 2020, cost of inventories recognised as expenses included write-down on inventories of RMB4,237,000 (2019: RMB2,366,000).

(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 RMB776,000 (2019: RMB800,000), RMB181,000 (2019: RMB146,000), RMB287,000 (2019: RMB427,000) and RMB5,760,000 (2019: RMB5,625,000) 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 2020

	Directors' fee RMB'000	Salaries RMB'000	Discretionary bonus (Note iv) RMB'000	Other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors:							
Mr. Xie Yuehui (Note i)	—	1,611	2,359	39	23	882	4,914
Mr. Liu Jianxiong	—	1,542	1,442	39	23	756	3,802
Non-executive director:							
Mr. Jiang Feng	108	—	—	—	—	—	108
Mr. Fu Feng	—	—	—	—	—	—	—
Independent non-executive directors:							
Mr. Liang Hsien Tse Joseph	108	—	—	—	—	—	108
Mr. Zhou Luming	108	—	—	—	—	—	108
Mr. Wang Wansong	108	—	—	—	—	—	108
	432	3,153	3,801	78	46	1,638	9,148

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

For the year ended 31 December 2019

	Directors' fee RMB'000	Salaries RMB'000	Discretionary bonus (Note iv) RMB'000	Other benefits RMB'000	Contributions to retirement benefits scheme RMB'000	Share-based payment RMB'000	Total RMB'000
Executive directors:							
Mr. Xie Yuehui (Note i)	–	1,767	846	36	54	13,551	16,254
Mr. Liu Jianxiong	–	1,715	933	36	54	10,256	12,994
Mr. Zhang Deyuan (Note ii)	–	525	–	9	15	3,876	4,425
Non-executive director:							
Mr. Jiang Feng	108	–	–	–	–	–	108
Mr. Fu Feng (Note iii)	–	–	–	–	–	–	–
Independent non-executive directors:							
Mr. Liang Hsien Tse Joseph	108	–	–	–	–	–	108
Mr. Zhou Luming	108	–	–	–	–	–	108
Mr. Wang Wansong	108	–	–	–	–	–	108
	432	4,007	1,779	81	123	27,683	34,105

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.

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 a non-executive Director on 28 August 2019.

(iv) The discretionary bonus were paid by the Group to any of the executive directors and the chief executive, which is determined with reference to the Group's operating results, individual performance and comparable market practices.

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

Of the five individuals with the highest emoluments in the Group, nil (2019: three) directors (one of them is also the Chief Executive Officer) whose emoluments are included above. The emoluments of the five (2019: two) individuals were as follows:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Employees		
– share-based payment	**132,581**	4,496
– salaries and other benefits	**5,132**	2,784
– performance related bonus	**3,740**	809
– contributions to retirement benefits scheme	**144**	141
	141,597	8,230

Their emoluments were within the following bands:

	2020 Number of employees	2019 Number of employees
HKD3,500,001 to HKD4,000,000	—	1
HKD5,500,001 to HKD6,000,000	—	1
HKD29,000,001 to HKD29,500,000	**1**	—
HKD29,500,001 to HKD30,000,000	**1**	—
HKD31,000,001 to HKD31,500,000	**1**	—
HKD32,000,001 to HKD32,500,000	**1**	—
HKD36,000,001 to HKD36,500,000	**1**	—
	5	2

For each of the two years ended 31 December 2020 and 2019, 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 2020 and 2019.

11. INCOME TAX EXPENSE

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	**35,061**	38,914
Hong Kong Profits Tax	**4,116**	6,352
Deferred tax credit (Note 20):		
Current year	**(3,596)**	(1,619)
	35,581	43,647

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 HKD2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2.0 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% on assessable profits earned in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that one major operating subsidiary in the PRC was qualified as High and New Technology Enterprise since 2009, and it 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 2020. This major operating subsidiary continued to be recognised as a Hi-Tech enterprise for the two years ended 31 December 2020 and 2019.

The applicable income tax rate of Lifetech Scientific India Private Ltd. 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:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Profit before tax	**242,624**	170,811
Tax at the applicable tax rate of 15% (2019: 15%) (Note)	**36,394**	25,622
Tax effect of expenses not deductible for tax purpose	**10,337**	18,381
Tax effect of tax losses not recognised	**27,088**	5,989
Utilisation of tax losses not recognised in previous years	**—**	(5)
Tax effect of additional deductible research and development expenditure	**(5,424)**	(6,584)
Tax effect of income not taxable for tax purpose	**(33,077)**	(327)
Tax concession under two-tiered profits tax rates regime	**(165)**	(165)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**428**	736
Income tax expense for the year	**35,581**	43,647

Note: Pursuant to the relevant law and regulations in the PRC, Lifetech Shenzhen, a wholly-owned subsidiary of the Group, generates the most revenue in the Group and was approved as Hi-Tech Enterprise and entitled to 15% PRC enterprise income tax for three years from August 2020 to August 2023 and accordingly, PRC Enterprise Income Tax was provided at 15% for the year ended 31 December 2020.

12. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2020 and 2019, 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:

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	216,085	129,200

	Year ended 31 December 2020 '000	Year ended 31 December 2019 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	4,337,755	4,140,262
Effect of dilutive potential ordinary shares:		
Share options/Award Shares	51,588	1,644
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,389,343	4,141,906

Note: Treasury Shares are deducted from total number of shares in issue for the purpose of calculating basic earnings per share.

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 2019	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
Exchange realignment	—	—	(20)	—	(74)	—	(94)
Additions	—	67,300	11,459	5,426	3,624	—	87,809
Transfer to investment property	—	(3,665)	—	—	—	—	(3,665)
Reclassification	5,237	(6,735)	1,498	—	—	—	—
Disposals	—	(768)	(4,199)	—	(1,344)	—	(6,311)
Disposal of a subsidiary	—	—	—	(129)	(334)	—	(463)
At 31 December 2020	**198,069**	**65,826**	**222,525**	**23,174**	**26,527**	**5,481**	**541,602**
ACCUMULATED DEPRECIATION							
At 1 January 2019	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
Exchange realignment	—	—	(18)	—	(31)	—	(49)
Provided for the year	6,951	—	19,440	3,732	3,299	533	33,955
Eliminated on disposals	—	—	(3,268)	—	(1,100)	—	(4,368)
Eliminated on disposal of a subsidiary	—	—	—	(39)	(112)	—	(151)
At 31 December 2020	**19,656**	**—**	**71,854**	**18,831**	**13,881**	**3,118**	**127,340**
CARRYING VALUES							
At 31 December 2020	**178,413**	**65,826**	**150,671**	**4,343**	**12,646**	**2,363**	**414,262**
At 31 December 2019	180,127	9,694	158,087	2,739	12,830	2,896	366,373

14. PROPERTY, PLANT AND EQUIPMENT - *continued*

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 31 December 2020			
Carrying amount	57,714	11,545	69,259
As at 31 December 2019			
Carrying amount	59,246	22,564	81,810
For the year ended 31 December 2020			
Depreciation charge	1,532	14,482	16,014
For the year ended 31 December 2019			
Depreciation charge	1,157	12,126	13,283

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Expense relating to short-term leases	589	444
Total cash outflow for leases	16,680	57,515
Addition to right-of-use assets	3,432	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.

15. RIGHT-OF-USE ASSETS - *continued*

The Group regularly entered into short-term leases for certain offices and staff dormitories. As at 31 December 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense amounted to RMB589,000 (2019: RMB444,000) disclosed in this note above.

In addition, lease liabilities of RMB11,519,000 (2019: RMB23,186,000) are recognised with related right-of-use assets of RMB11,545,000 (2019: RMB22,564,000) as at 31 December 2020. 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.

16. 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 (2019: 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% (2019: 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 2019	164,565
Transfer from property, plant and equipment	2,534
At 31 December 2019	167,099
Transfer from property, plant and equipment	3,665
At 31 December 2020	**170,764**
DEPRECIATION	
At 1 January 2019	11,423
Provided for the year	5,489
At 31 December 2019	16,912
Provided for the year	5,655
At 31 December 2020	**22,567**
CARRYING VALUES	
At 31 December 2020	**148,197**
At 31 December 2019	150,187

16. INVESTMENT PROPERTIES - *continued*

The estimated fair value of the Group's investment properties at 31 December 2020 was RMB565,661,000 (2019: RMB561,013,000). The estimated fair value has been arrived at on the basis of valuations carried out on 31 December 2020 and 31 December 2019 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.

17. INTANGIBLE ASSETS

	Patents RMB'000	Licences RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
COST					
At 1 January 2019	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
Additions	—	—	577	53,286	53,863
Disposal through disposal of a subsidiary	(1,111)	—	(42)	—	(1,153)
At 31 December 2020	**56,045**	**2,679**	**5,989**	**269,424**	**334,137**
ACCUMULATED AMORTISATION					
At 1 January 2019	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
Provided for the year	6,215	—	789	—	7,004
Eliminated on disposal through disposal of a subsidiary	(250)	—	(35)	—	(285)
At 31 December 2020	**21,672**	**2,679**	**4,883**	**—**	**29,234**
CARRYING VALUES					
At 31 December 2020	**34,373**	**—**	**1,106**	**269,424**	**304,903**
At 31 December 2019	41,449	—	1,325	216,138	258,912

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 2020, patents with carrying amount of RMB26,358,000 (2019: RMB30,628,000) were internally generated.

Development costs are internally generated. The development costs represent relating costs of design, development, production of certain structural heart diseases products and peripheral vascular 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.

18. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Cost of investment in associates	15,551	3,500
Share of post-acquisition losses and other comprehensive expenses	(2,822)	(63)
	12,729	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 2020	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 (Note i)	The PRC	The PRC	10.42%	12.5%	Developing medical devices
深圳市尚品雲麻科技有限公司 (Note ii)	The PRC	The PRC	—	49%	Operating E-commerce
Shenzhen Cardio (Note iii)	The PRC	The PRC	32.45%	N/A	Development and trading of medical devices

Notes:

i. During the year ended 31 December 2020, the Group entered into a capital injection agreement with the existing shareholders of Joint Laboratory and certain independent third parties for capital injections to Joint Laboratory. After the capital injections, the proportion of ownership interest held by the Group is diluted from 12.50% to 10.42%. The Group continues to be able to exercise significant influence over Joint Laboratory because the Group is entitled to appoint one of the five directors under its Articles of Association .

ii As at 31 December 2019, 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 Shangpin Yunma, and serves as the largest shareholder of Shangpin Yunma. The remaining shareholders hold 26% and 25% equity interests of Shangpin Yunma respectively. Under the Article of Association of Shangpin Yunma, shareholders have rights to make managerial decisions and therefore the Group has significant influence over Shangpin Yunma. On 30 December 2020, Shangpin Yunma was deregistered.

iii. During the year ended 31 December 2020, after a share transfer to the then existing shareholder of Shenzhen Cardio and a capital injection in Shenzhen Cardio from an independent third party, the Group's shareholding on Shenzhen Cardio decreased from 70% to 51% and further to 32.45%. Shenzhen Cardio eventually became an associate of the Group. The Group is able to exercise significant influence over Shenzhen Cardio because the Group is entitled to appoint one of the three directors under its Articles of Association.

Financial information of these three companies has not been disclosed since these three associates are immaterial to the Group.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Financial assets mandatorily measured at FVTPL:		
Unlisted participating shares (Note)	265,794	146,924
Unlisted fund	92,504	32,964
	358,298	179,888

Note: As at 31 December 2019, the unlisted participating shares were used to secure the Group's Hong Kong Dollar bank borrowing amounted to RMB260,678,000. This security was released during the year ended 31 December 2020.

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, a limited company established in British Virgin Island as a participating shareholder, for an aggregate consideration of USD20,000,000 (equivalent to approximately RMB127,340,000) in cash. ABG-Grail Limited principally invests in unlisted shares of a company established in United States which engages in cancer research and early cancer detection.

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

The Group holds 26.67% (2019: 26.67%) interest in ABG-Grail Limited and 9.69% (2019: 9.69%) interest in the Fund.

ABG-Grail Limited and the Fund are accounted as financial assets at FVTPL in accordance with IFRS 9. Details of the fair value measurement of ABG-Grail Limited and the Fund are disclosed in Note 38(c). In the opinion of the directors of the Company, ABG-Grail Limited 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 Limited and the Fund are determined by an independent professional valuer, GW Financial Advisory Services Limited. Details about valuation techniques and key inputs are disclosed in Note 38(c).

20. 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 2020 RMB'000	31 December 2019 RMB'000
Deferred tax assets	**35,896**	32,300

The following are the major deferred tax assets (liabilities) 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 2019	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
(Charge) credit to profit or loss	(2,297)	1,171	506	(1,840)	2,843	4	3,209	3,596
At 31 December 2020	**4,541**	**2,193**	**1,245**	**2,530**	**11,272**	**(144)**	**14,259**	**35,896**

At the end of the reporting period, the Group has unused tax losses of approximately RMB230,496,000 (2019: RMB49,910,000) 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 RMB197,720,000 (2019: RMB38,383,000) 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 2020 RMB'000	31 December 2019 RMB'000
2022	**292**	292
2023	**1,780**	1,780
2024	**9,455**	9,455
2025	**21,249**	—
	32,776	11,527

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 RMB1,236,607,000 (2019: RMB901,710,000) 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.

21. INVENTORIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Raw materials	35,996	38,440
Work in progress	20,394	27,450
Finished goods	43,233	33,235
	99,623	99,125

22. TRADE RECEIVABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade receivables from contracts with customers	119,245	78,197
Less: allowance for credit losses	(12,110)	(5,648)
	107,135	72,549

Trade receivables mainly arose from sales of medical devices.

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB91,105,000.

The Group normally allows a credit period of 30 to 180 days (2019: 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 2020 RMB'000	31 December 2019 RMB'000
1 to 90 days	76,019	57,985
91 to 180 days	18,098	11,750
181 to 365 days	11,468	2,570
Over 365 days	1,550	244
	107,135	72,549

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB20,742,000 (2019: RMB9,134,000) which are past due as at the reporting date. Out of the past due balances, RMB1,145,000 (2019: RMB3,376,000) 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 2020 and 2019 are set out in Note 38.

23. OTHER RECEIVABLES AND PREPAYMENTS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Other debtors (Note)	**37,592**	27,466
Prepayments	**14,494**	25,715
Advance to employees - interest free	**32,057**	28,381
Rental deposits	**2,514**	2,596
Other deposits	**756**	942
	87,413	85,100

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.

Details of impairment assessment of other receivables for the year ended 31 December 2020 and 2019 are set out in Note 38.

24. 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% (2019: 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 RMB108,000,000 (2019: RMB90,000,000) with fixed rates ranged from 1.4% to 3.17% per annum (2019: 3.11% per annum) have been pledged to secure certain bank borrowings of the Group. The deposits are classified as current assets (2019: non-current assets) as the bank borrowings are repayable within one year (2019: more than one year).

Fixed bank deposit amounting to RMB170,992,000 (2019: RMB50,000,000) represents one to three-month time deposit with fixed rates ranged from 0.67% to 1.79% per annum (2019: 2.8% per annum), and is therefore classified as current assets. The other bank deposit amounting to RMB50,000,000 (2019: nil) represents two-year deposit with fixed a rate 2.8% per annum, which is due in May 2022 and is therefore classified as non-current assets.

Details of impairment assessment of bank balances, pledged bank deposit and fixed bank deposit for the year ended 31 December 2020 and 2019 are set out in Note 38.

25. TRADE AND OTHER PAYABLES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Trade payables	**18,714**	9,924
Other payables:		
Government grants (Note 27)	**5,138**	3,760
Accrued payroll and bonus	**63,488**	50,261
Rental deposits	**6,902**	7,848
Other payables (Note)	**80,864**	19,558
Construction payables	**9,916**	14,540
Accrued expenses	**74,646**	59,216
Value-added tax payables	**3,750**	6,148
Other tax payables	**1,628**	1,909
	246,332	163,240
	265,046	173,164

Note: As at 31 December 2020, included in the balances represent an amount of RMB57,895,000 (2019: nil) in relation to sales discounts payable to customers.

The credit period granted by suppliers to the Group ranged from 30 to 120 days (2019: 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 2020 RMB'000	31 December 2019 RMB'000
0 - 30 days	**15,872**	5,712
31 - 60 days	**1,711**	2,670
61 - 90 days	**691**	791
91 - 120 days	**331**	287
Over 120 days	**109**	464
	18,714	9,924

26. CONTRACT LIABILITIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Medical devices	**14,216**	5,408

As at 1 January 2019, contract liabilities amounted to RMB4,008,000.

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 the portion of the revenue recognised relates to carried-forward contract liabilities.

	Medical devices RMB'000
For the year ended 31 December 2020	
Revenue recognised that was included in the contract liability balance at the beginning of the year	**5,058**

	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

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.

27. GOVERNMENT GRANTS

	2020 RMB'000	2019 RMB'000
Government grant related to assets:		
At beginning of the year	**44,728**	59,057
Additions	**6,539**	9,150
Released to profit or loss	**(15,844)**	(23,479)
At end of the year	**35,423**	44,728

27. GOVERNMENT GRANTS - *continued*

	31 December 2020 RMB'000	31 December 2019 RMB'000
Classified as:		
Current liabilities (included in other payables)	5,138	3,760
Non-current liabilities	30,285	40,968
	35,423	44,728

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

During the year ended 31 December 2020, the Group recognised income of RMB21,349,000 (2019: RMB29,640,000) of which RMB5,505,000 (2019: RMB6,161,000) is directly received and recognised in profit or loss.

28. BANK BORROWINGS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Secured bank borrowings (Note)	39,965	330,265
Unsecured bank borrowings	134,497	—
Total	174,462	330,265
The carrying amounts of the above borrowings are repayable*:		
Within one year	174,462	113,418
Within a period of more than one year but not exceeding two years	—	129,375
Within a period of more than two years but not exceeding five years	—	87,472
	174,462	330,265
Less: Amounts due within one year shown under current liabilities	(174,462)	(113,418)
Amounts shown under non-current liabilities	—	216,847

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

Note: As at 31 December 2020, the Group's certain bank borrowings are secured by pledged bank deposits of RMB108,000,000 (2019: pledged bank deposits of RMB90,000,000 and certain of the Group's financial assets at FVTPL of RMB146,924,000).

28. BANK BORROWINGS - *continued*

During the year ended 31 December 2020, the Group's fixed rate borrowings carried interest at the rate of 4.35% per annum. The Group's variable-rate bank borrowing carries interests ranged from 2.10% to 2.60% above London Interbank Offered Rate ("LIBOR") (2019: at 2.14% above LIBOR and 4% above Hong Kong Interbank Offered Rate).

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

	2020	2019
Effective interest rate per annum:		
Fixed-rate borrowing	4.35%	N/A
Variable-rate borrowings	2.37% to 3.68%	4.45% to 6.17%

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 ("HKD") RMB'000	United States Dollars ("USD") RMB'000
As at 31 December 2020	—	124,462
As at 31 December 2019	260,678	69,587

29. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

During the year ended 31 December 2020, Lifetech Shenzhen, a wholly-owned subsidiary of the Company, entered into a shareholders' agreement with certain independent third parties for issuance of shares of 元心科技 (深圳) 有限公司 ("元心科技"), a subsidiary held by Lifetech Shenzhen, with total considerations of RMB67,500,000.

Pursuant to the above mentioned shareholder's agreement, if 元心科技 is unable to meet certain specified conditions under agreed timeframe, the holders of these shares will have the right to require 元心科技 to redeem all of their shares at the predetermined consideration. Accordingly, these shares are classified as a financial liability.

Through financial risk management measures as detailed in Note 38, the Group expects that it will be able to satisfy its redemption obligations in the case that the above specific conditions happen.

30. LEASE LIABILITIES

	31 December 2020 RMB'000	31 December 2019 RMB'000
Lease liabilities payable:		
Within one year	6,846	11,660
Within a period of more than one year but not more than two years	2,583	6,628
Within a period of more than two years but not more than five years	2,090	4,898
	11,519	23,186
Less: Amount due for settlement with 12 months shown under current liabilities	(6,846)	(11,660)
Amount due for settlement after 12 months shown under non-current liabilities	4,673	11,526

The weighted average incremental borrowing rate supplied to lease liabilities is 5.82% (2019: 5.82%).

31. SHARE CAPITAL

	Number of shares	Amount USD
Ordinary shares		
Authorised:		
At 1 January 2019, 31 December 2019 and 2020 at USD0.00000125 each	40,000,000,000	50,000

31. SHARE CAPITAL - *continued*

	Number of shares	Amount USD	Shown in the consolidated statement of financial position as RMB'000
Issued and fully paid:			
At 1 January 2019	4,336,291,200	5,421	35
Exercise of share options	866,000	1	—
Cancellation of ordinary shares (Note i)	(17,124,000)	(21)	—
At 31 December 2019	4,320,033,200	5,401	35
Exercise of share options	19,645,200	25	—
Issue of new share (Note ii)	287,320,000	359	2
At 31 December 2020	**4,626,998,400**	**5,785**	**37**

Notes:

(i) During the year ended 31 December 2019, the Company repurchased a total of 9,414,000 (2020: nil) shares of the Company on The Stock Exchange of Hong Kong Limited of an aggregate consideration (including transaction cost) of approximately RMB11,874,000 (2020: nil). 8,710,000 shares have been cancelled on 23 January 2019 and 8,414,000 shares have been cancelled on 24 July 2019.

(ii) Pursuant to a placing agreement dated 4 December 2020, a total of 287,320,000 new shares have been issued and allotted on 11 December 2020 at the placing price of HKD3.2368 (equivalent to RMB2.7312) per ordinary share to no less than six placees, who and whose respective ultimate beneficial owners are independent of the Company and the connected persons of the Company. These new shares were issued under a general mandate granted to the board of directors at the annual general meeting of the Company held on 28 May 2020 and rank pari passu with other shares in issue in all respects.

32. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current assets		
Property, plant and equipment	1,474	1,570
Interests in subsidiaries	295,561	292,925
	297,035	294,495
Current assets		
Other receivables	3,292	8,746
Amounts due from subsidiaries	253,894	255,592
Bank balances and cash	541,533	11,181
	798,719	275,519
Current liabilities		
Other payables	4,090	11,848
Amounts due to subsidiaries	10,099	78,758
Bank borrowings	84,497	86,560
Tax payables	7,527	7,526
	106,213	184,692
Net current assets	692,506	90,827
Total assets less current liabilities	989,541	385,322
Non-current liability		
Bank borrowings	—	174,118
Net assets	989,541	211,204
Capital and Reserves		
Share capital	37	35
Reserves	989,504	211,169
Total equity	989,541	211,204

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

Movement in reserves

	Share premium RMB'000	Share option reserve RMB'000	Shares held for Share Award Scheme RMB'000	Treasury shares RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	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)
Cancellation of share options granted in 2018	—	(181,995)	—	—	181,995	—
At 31 December 2019	777,668	74,347	(339,596)	—	(301,250)	211,169
Recognition of equity-settled share-based payments	—	3,294	151,239	—	—	154,533
Exercise of share options	39,800	(14,249)	—	—	—	25,551
Issue new shares, net of transaction costs	790,477	—	—	—	—	790,477
Loss and the total comprehensive expense for the year	—	—	—	—	(192,226)	(192,226)
At 31 December 2020	**1,607,945**	**63,392**	**(188,357)**	**—**	**(493,476)**	**989,504**

33. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme

The Company adopted a share option scheme (the "Scheme") on 22 October 2011, which 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 on 10 November 2011 (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.

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.

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

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.

The following table discloses movements in the Company's share options held by directors and employees during the year ended 31 December 2020:

Types	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year (Note i)	Outstanding at 31 December 2020
Share options granted on 5 May 2015:					
Batch I	17,071,200	—	(4,974,800)	—	12,096,400
Batch II	18,012,800	—	(4,379,200)	—	13,633,600
Batch III	19,094,400	—	(3,987,200)	(54,800)	15,052,400
Batch IV	20,074,400	—	(3,828,800)	(54,800)	16,190,800
Batch V	18,962,400	—	(2,475,200)	(238,800)	16,248,400
Total	93,215,200	—	(19,645,200)	(348,400)	73,221,600
Exercisable at the end of the year					73,221,600
Weighted average exercise price	HKD1.464	—	HKD1.464	HKD1.464	HKD1.464

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) 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

In respect of the share options exercised during the year, the closing market price (weighted average) immediately before the dates on which the share options exercised was HKD2.462 (2019: HKD1.614).

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) 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 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 (measured on the respective date of grant) 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 TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

In respect of the share options granted on 5 May 2015, 10 May 2018 and 29 August 2018, the fair values were calculated 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 TRANSACTIONS - *continued*

(a) 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 2020, the Group recognised approximately RMB2,739,000 (2019: approximately RMB125,850,000) share-based payment expenses in profit or loss, of which, approximately RMB67,000 (2019: approximately RMB6,302,000) was included in cost of sales, approximately RMB975,000 (2019: approximately RMB39,102,000) was included in research and development expenses, approximately RMB1,491,000 (2019: approximately RMB59,637,000) was included in administrative expenses and approximately RMB206,000 (2019: approximately RMB20,809,000) was included in selling and distribution expenses. In addition, approximately RMB555,000 was capitalised in development costs (2019: approximately RMB5,912,000).

(b) Share Award Scheme

On 28 December 2018, the Company adopted the Share Award Scheme. The purpose of the Share Award Scheme is to (i) recognise and motivate the contributions by certain Eligible Participants and to incentivise them and 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.

Pursuant to the rules of the Share Award Scheme, the Board shall not make any further grant of Award Shares such that the total number of shares granted under the Share Award Scheme will exceed 10% of the total number of issued shares as at 28 December 2018. The maximum number of Award shares that may be granted under the Share Award Scheme is 433,629,120 shares.

Based on an unanimous written resolutions of the Board of Directors of the Company dated 29 September 2020, pursuant to the grant notices and vesting notices to Eligible Participants dated the same date, a total of 312,620,000 shares of the Company have been granted by the Company to certain senior management/employees at a price of HKD1.35 per ordinary share and fully vested at the same date under Share Award Scheme but remained unsubscribed as at 31 December 2020. There were no vesting conditions attached to such Award Shares.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on 28 December 2018 after which no further Award Shares may be offered.

33. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(b) Share Award Scheme - *continued*

The following table discloses movements during the year ended 31 December 2020:

	Outstanding at 1 January 2020	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 December 2020
Granted on 29 September 2020:	—	312,620,000	—	—	312,620,000
Total	—	312,620,000	—	—	312,620,000
Exercisable at the end of the year					312,620,000
Exercise price					HKD1.35

For the year ended 31 December 2020, the Group recognised approximately RMB151,239,000 share-based payment expenses in the profit or loss, including approximately RMB49,984,000 in research and development expenses, approximately RMB19,022,000 in administration expenses and approximately RMB82,233,000 in selling and distribution expenses to the consolidated statement of profit or loss.

34. OPERATING LEASES ARRANGEMENTS

The Group as lessor

All of the investment properties held by the Group for rental purpose have committed leases for the next 1 and 10 years.

Undiscounted lease payments receivable on leases are as follows:

	31 December 2020 RMB'000	31 December 2019 RMB'000
Within one year	37,481	41,969
In the second to third years inclusive	30,083	38,425
In the third to fourth years inclusive	13,959	30,824
In the fourth to fifth years inclusive	9,943	11,274
In the fifth to sixth years inclusive	8,469	7,298
Over six years	8,593	15,067
	108,528	144,857

35. CAPITAL COMMITMENTS

	31 December 2020 RMB'000	31 December 2019 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the consolidated financial statements	283,505	13,932

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 RMB4,673,000 for the year ended 31 December 2020 (2019: RMB14,003,000).

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 balances. 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 28, 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 2020 RMB'000	31 December 2019 RMB'000
Financial assets		
Mandatorily measured at FVTPL		
– Unlisted participating shares	265,794	146,924
– Unlisted fund	92,504	32,964
Financial assets at amortised cost (including cash and cash equivalents)	1,469,216	669,254
Financial liabilities		
Amortised cost	290,858	382,135
Financial liabilities at FVTPL	67,500	—

(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, financial liabilities at FVTPL 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

Financial assets at FVTPL, certain trade receivables, certain other receivables, certain bank balances, certain trade and other payables and certain 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 2020 RMB'000	31 December 2019 RMB'000
Assets		
USD	478,022	253,785
Euro ("EUR")	92,353	72,011
HKD	626,553	10,139
India Rupees ("INR")	13,813	14,538
Canadian Dollars ("CAD")	350	—
Liabilities		
USD	133,843	72,438
EUR	2,331	180
HKD	—	261,008
INR	373	547

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against the relevant foreign currencies. 5% (2019: 5%) is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis include only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates.

38. FINANCIAL INSTRUMENTS - *continued*

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

Market risk - continued

Sensitivity analysis - continued

For the years ended 31 December 2020 and 2019, 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.

	2020 RMB'000	2019 RMB'000
USD		
Profit or loss	(14,628)	(7,707)
EUR		
Profit or loss	(3,826)	(3,053)
HKD		
Profit or loss	(26,629)	10,662
INR		
Profit or loss	(571)	(595)
CAD		
Profit or loss	(15)	—

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.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate pledged bank deposits, fixed-rate borrowing and lease liabilities (see Notes 24, 28 and 30 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 24 for details), pledged bank deposit (see Note 24 for details), variable-rate bank borrowings (see Note 28 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.

38. FINANCIAL INSTRUMENTS - *continued*

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

Market risk - continued

Interest rate risk - continued

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 arising from the Group's USD dominated bank borrowings (2019: LIBOR and HIBOR arising from the Group's USD and HKD 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 (2019: 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 (2019: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 would decrease/increase by RMB529,000 (2019: decrease/increase by RMB1,404,000). 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 Limited 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 Limited and the Fund with fair value measurement categorised within Level 3 were disclosed in Note 38(c).

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, fixed 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 instruments.

38. FINANCIAL INSTRUMENTS - *continued*

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

Credit risk and impairment assessment - continued

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 collectively using collective assessment with internal credit rating. 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 84% (2019: 77.3%) 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 32% (2019: 35%) of the total debtors as at 31 December 2020.

Other receivables/bank balances/bank deposits

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

The Group performs impairment assessment under ECL model for other receivables collectively using collective assessment with internal credit rating.

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	2020 Gross carrying amount RMB'000	2020 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000
Financial assets at amortised cost								
Pledged bank deposit	24	AA+	N/A	12-month ECL		108,000		90,000
Bank balances	24	AA+	N/A	12-month ECL		971,501		299,027
Fixed bank deposit	24	AA+	N/A	12-month ECL		220,992		50,000
Other receivables	23	N/A	Low risk	12-month ECL	18,059		15,706	
			Watch List	12-month ECL	45,850	63,909	44,836	60,542
Trade receivables	22	N/A	(Note)	Lifetime ECL	117,464		76,220	
			Loss	Credit-impaired	1,781	119,245	1,977	78,197

* 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 collective assessment, 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 collective assessment within lifetime ECL (not credit-impaired). As at 31 December 2020, debtors with credit-impaired with gross carrying amounts of RMB1,781,000 (31 December 2019: RMB1,977,000) were assessed individually.

Internal credit rating	**Average loss rate**	**2020 Trade receivables RMB'000**
Low risk	**0.11%**	**78,868**
Watch list	**2.49%-6.06%**	**19,271**
Doubtful	**7.89%-73.81%**	**19,325**
		117,464

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

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. Due to greater financial uncertainty triggered by the Covid-19 pandemic, the Group has increased the expected loss rates in the current year as there is higher risk that a prolonged pandemic could led to increased credit default rates.

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 2019	4,591	937	5,528
Changes due to financial instruments recognised 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
Changes due to financial instruments recognised as at 1 January 2020			
– Impairment losses reversed	(1,322)	(1,953)	(3,275)
New financial assets originated	7,980	1,757	9,737
As at 31 December 2020	10,329	1,781	12,110

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

	2020 Increase (decrease) in lifetime ECL		2019 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 RMB89,361,000 (2019: RMB96,629,000)	(1,322)	(1,953)	(4,587)	(937)
New trade receivables with gross carrying amount of RMB52,164,000 (2019: RMB38,918,000)	7,980	1,757	3,667	1,977

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.

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 12m ECL that has been recognised for other receivables.

	12m ECL RMB'000
As at 1 January 2019	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
Changes due to financial instruments recognised as at 1 January 2020	
– Impairment losses reversed	(840)
New financial assets originated	2,186
As at 31 December 2020	2,503

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 of the Group 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.

38. FINANCIAL INSTRUMENTS - *continued*

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

Liquidity risk - continued

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 2020							
Non-derivative financial liabilities							
Trade and other payables	–	113,554	1,711	1,131	–	116,396	116,396
Lease liabilities	5.82	–	3,261	4,018	4,935	12,214	11,519
Bank borrowings	2.37-4.35	–	50,965	125,328	–	176,293	174,462
Total		113,554	55,937	130,477	4,935	304,903	302,377
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

(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.

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

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 2020

	Level 3 2020 RMB'000	Level 3 2019 RMB'000
Financial assets at FVTPL		
Unlisted participating shares	**265,794**	146,924
Unlisted fund	**92,504**	32,964

Financial assets	Fair value as at **31 December 2020**	Fair value as at 31 December 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
Unlisted participating shares	**Participating shares in a company engaged in investment in an unlisted company RMB265,794,000**	Participating shares in a company engaged in investment in an unlisted company RMB146,924,000	Level 3	Adjusted net asset 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 -1.54% (2019: -1.18%) over net assets value of listed entities in similar industries
Unlisted fund	**Interests in a limited partnership engaged in fund investment - RMB92,504,000**	Interests in a limited partnership engaged in fund investment - RMB32,964,000	Level 3	Adjusted net asset 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 -1.54% (2019: -1.18%) 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 2020, no financial assets at FVTPL were transferred 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 2019	135,343	34,522	169,865
Gain (loss) 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
Gain from fair value changes	134,912	65,162	200,074
Unrealised exchange loss	(16,042)	(5,622)	(21,664)
At 31 December 2020	**265,794**	**92,504**	**358,298**

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 (Note)	Financial liabilities at FVTPL RMB'000
At 1 January 2019	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	—
New lease entered	3,432	—	—
Financing cash flows	(16,091)	(208,307)	67,500
Interest expenses	992	24,700	—
Unrealised foreign exchange loss	—	27,804	—
At 31 December 2020	11,519	174,462	67,500

Note: The cash flows from bank borrowings comprise the net amount of new bank borrowings raised and repayments of bank borrowings.

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	2020 RMB'000	2019 RMB'000
Substantial shareholder	Purchase of shares under Share Award Scheme	—	324,314

Note: On 28 December 2018, the Company adopted Share Award Scheme. For the purpose of this scheme, the Company instructed the Trustee to purchase an aggregate of 300,000,000 ordinary shares from the Vendor, a substantial shareholder of the Company, with funding provided by the Company. The consideration for the shares was set at HKD1.23 per ordinary share and the ordinary shares will be granted to the Eligible Participants who will contribute to the Company. During the year ended 31 December 2019, in accordance with the Share Award Scheme, a total of 300,000,000 shares at a consideration of RMB324,314,000 have been purchased from the Vendor, and a total of 12,620,000 ordinary shares at a consideration of RMB15,282,000 have been purchased from the market.

40. RELATED PARTY DISCLOSURES - *continued*

(b) Compensation of key management personnel

The remuneration of directors and other members of key management personnel during the years ended 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Share-based payment	**2,484**	42,253
Short-term employee benefits	**5,884**	10,535
Post-employment benefits	**70**	325
	8,438	53,113

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

41. PARTICULARS OF INTERESTS IN PRINCIPAL SUBSIDIARIES OF THE COMPANY

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 2020	2019	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 Shenzhen	The PRC	RMB100,000,000	**100%**	100%	Developing, manufacturing and trading of medical devices
^ΔShenzhen Lifetech Material Biological Technology Co., Ltd. 深圳市先健生物材料技術有限公司	The PRC	RMB11,110,000	**0%*ΔΔ**	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
LifeTech Scientific (Netherlands) B.V.	Netherlands	EUR18,000	**100%***	100%*	Trading of medical devices

41. PARTICULARS OF INTERESTS IN PRINCIPAL SUBSIDIARIES OF THE COMPANY - *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
			2020	2019	
Lios Russia LLC	Russia	RUB10,000	0%*##	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	RMB1,000,000	100%*	100%*	Consulting services, technology services
^Δ^Shenzhen Cardio	The PRC	RMB7,857,142 (2019: RMB10,000,000)	N/A (Note iii)	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. PARTICULARS OF INTERESTS IN PRINCIPAL SUBSIDIARIES OF THE COMPANY - *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
			2020	2019	
^深圳市先健暢通醫療有限公司	The PRC	RMB10,000,000	**100%***	100%*	Development manufacturing and trading of medical devices
^元心科技	The PRC	RMB132,192,000 (2019: RMB30,000,000)	**57.92%*** **(Note iv)**	70%*	Operating import and export business. Development, manufacture and sales of Class I, Class II and Class III medical devices, medical polymer materials and products, technical consultation, technology transfer, technical services
^東莞先健量子醫療科技有限公司	The PRC	RMB10,000,000	**50.1%***	50.1%*	Development, sales and technical services of Class I, Class II and Class III medical devices
^深圳市雲麻生物科技有限公司	The PRC	RMB20,000,000	**60%***	60%*	The R&D, manufacturing and trading of materials for hemp, the R&D biotechnology

41. PARTICULARS OF INTERESTS IN PRINCIPAL SUBSIDIARIES OF THE COMPANY - *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 2020	2019	Principal activities
^Δ^雲南麻省健康科學有限公司	The PRC	RMB20,000,000	92%*	92%*	The R&D, manufacturing and trading of materials for hemp, the R&D of biotechnology
LifeTech Scientific Deutschland GmbH	Germany	EUR300,000	100%*	100%*	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	RMB1,000,000	100%*	100%*	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

41. PARTICULARS OF INTERESTS IN PRINCIPAL SUBSIDIARIES OF THE COMPANY - *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 2020	2019	Principal activities
^Δ^深圳市先健創新醫療投資有限公司	The PRC	RMB50,000,000	100%*^	N/A	Technical development of medical products, investment in medical projects, investment in industry (specific projects will be declared separately); technical support, staff training, internal personnel management and other services in the process of product production, sales and market development for the invested enterprises; information consulting services for investors; import and export of goods or technologies
^Δ^深圳市先健外科瓣技術有限公司	The PRC	RMB1,000,000	65%*^^	N/A	Operating, import and export business. Developing, manufacturing and trading of medical devices

* Indirectly held through subsidiaries.

\# A wholly foreign owned enterprise.

Δ Limited liability company established in the PRC.

^ Set up in August 2020.

^^ Set up in December 2020.

ΔΔ Deregistered on 25 November 2020.

\## Deregistered on 20 February 2020.

41. PARTICULARS OF INTERESTS IN PRINCIPAL SUBSIDIARIES OF THE COMPANY - *continued*

Notes:

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

(ii) 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.

(iii) During the year ended 31 December 2020, after a share transfer to the existing shareholding and a capital injection in Shenzhen Cardio from an independent third party, the Group's shareholding on Shenzhen Cardio decreased from 70% to 51% and further to 32.45%. Shenzhen Cardio eventually became an associate of the Group since then.

(iv) During the year ended 31 December 2020, Lifetech Shenzhen entered into a shareholders' agreement for issuance of shares and capital injection with certain independent third parties. After the capital injections, the proportion of ownership interest of 元心科技 held by the Group is diluted from 70.00% to 57.92%.

42. SUBSEQUENT EVENT

Subsequent to 31 December 2020, the Company announced that it was exploring the feasibility of issuing new ordinary shares for listing on ChiNext of the Shenzhen Stock Exchange. As at date of this annual report, the Proposed Issue of RMB Shares was exploratory and preliminary in nature only and there was no definitive decision on the timetable, structure, offer size or other terms and conditions of the Proposed Issue of RMB Shares. There is no assurance that the Proposed Issue of RMB Shares will proceed as contemplated or at all.