LifeTech Scientific Corporation

先 健 科 技 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8122)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the director(s) (the "Director(s)") of LifeTech Scientific Corporation (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- The Group's revenue amounted to approximately RMB181.5 million for the year ended 31 December 2012, which represented an increase of approximately 29.4% as compared with the Group's revenue recorded in the year ended 31 December 2011.
- The profit attributable to equity holders of the Company was approximately RMB32.4 million for the year ended 31 December 2012 compared with that of approximately RMB11.8 million recorded in the year ended 31 December 2011.
- Basic earnings per shares for the year ended 31 December 2012 was approximately RMB6.5 cents (2011: RMB3.1 cents).
- The Board does not recommend the payment of a final dividend for year ended 31 December 2012 (2011: nil).

ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2012, together with the comparative figures for the corresponding period of 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

	NOTES	**2012** *RMB'000*	**2011** *RMB'000*
Revenue	4	181,475	140,324
Cost of sales		(36,175)	(27,357)
Gross profit		145,300	112,967
Other income and other gains and losses	5	9,598	5,018
Selling and distribution expenses		(41,221)	(34,552)
Administration expenses		(37,898)	(31,246)
Research and development expenses		(23,608)	(22,762)
Offering expenses		—	(13,634)
Share of loss of an associate		(10,488)	—
Profit before tax and change in fair value of convertible redeemable preferred shares		41,683	15,791
Change in fair value of convertible redeemable preferred shares		—	3,288
Profit before tax	6	41,683	19,079
Income tax expense	7	(8,821)	(6,517)
Profit for the year		32,862	12,562
Other comprehensive income:			
Exchange differences arising on translating foreign operation		101	729
Total comprehensive income for the year		32,963	13,291

	NOTE	**2012**	**2011**
		RMB'000	*RMB'000*
Profit for the year attributable to:			
Owners of the Company		32,352	11,830
Non-controlling interests		510	732
		32,862	12,562
Total comprehensive income attributable to:			
Owners of the Company		32,453	12,559
Non-controlling interests		510	732
		32,963	13,291
Earnings per share	8		
- Basic (RMB)		0.065	0.031
- Diluted (RMB)		0.065	0.018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2012

	NOTES	**2012**	**2011**
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		26,830	18,346
Investment properties		1,839	1,912
Intangible assets		17,145	4,540
Deposits for acquisition of property, plant and equipment		1,392	7,398
Deferred tax assets		6,769	3,587
Interest in an associate		11,190	—
Deposit for acquisition of long term investment		18,853	—
		84,018	35,783
Current assets			
Inventories		24,711	21,235
Trade and bill receivables	10	39,474	36,516
Other receivables and prepayments	11	13,250	9,635
Structured deposits	12	4,250	25,000
Bank balances and cash	13	198,443	185,049
		280,128	277,435
Current liabilities			
Trade and other payables	14	36,715	35,416
Tax payables		7,774	5,070
Amount due to a shareholder		—	54
Amounts due to directors		—	30
		44,489	40,570
Net current assets		235,639	236,865
Total assets less current liabilities		319,657	272,648

	2012	2011
	RMB'000	*RMB'000*
Non-current liability		
Government grants	18,847	4,808
	300,810	267,840
Capital and reserves		
Share capital	32	32
Share premium and reserves	296,535	264,082
Equity attributable to owners of the Company	296,567	264,114
Non-controlling interests	4,243	3,726
Total equity	300,810	267,840

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to owners of the Company									
	Share capital	Share premium	Translation reserve	Statutory surplus reserve	Capital reserve	Contribution reserve	Accumulated profits (losses)	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*Note i*)	*RMB'000* (*Note ii*)	*RMB'000* (*Note iii*)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2011	3	—	(38)	11,934	(421)	32,531	(44,220)	(211)	3,288	3,077
Profit for the year	—	—	—	—	—	—	11,830	11,830	732	12,562
Other comprehensive expenses for the year	—	—	729	—	—	—	—	729	—	729
Total comprehensive income for the year	—	—	729	—	—	—	11,830	12,559	732	13,291
Issuance of shares	6	150,544	—	—	—	—	—	150,550	—	150,550
Capitalisation issue of shares	21	(21)	—	—	—	—	—	—	—	—
Transaction costs attributable to issue of shares	—	(10,077)	—	—	—	—	—	(10,077)	—	(10,077)
Award shares to employee	—	13,993	—	—	—	—	—	13,993	—	13,993
Conversion of convertible redeemable preferred shares	2	117,154	—	—	—	—	—	117,156	—	117,156
Dividends paid (Note 9)	—	(20,000)	—	—	—	—	—	(20,000)	—	(20,000)
Acquisition of additional interest in a subsidiary	—	—	—	—	144	—	—	144	(294)	(150)
Appropriations	—	—	—	1,477	—	—	(1,477)	—	—	—
At 31 December 2011	32	251,593	691	13,411	(277)	32,531	(33,867)	264,114	3,726	267,840
Profit for the year	—	—	—	—	—	—	32,352	32,352	510	32,862
Other comprehensive income for the year	—	—	101	—	—	—	—	101	—	101
Total comprehensive income for the year	—	—	101	—	—	—	32,352	32,453	510	32,963
Contributions from non-controlling interests of subsidiaries	—	—	—	—	—	—	—	—	7	7
Appropriations	—	—	—	5,833	—	—	(5,833)	—	—	—
At 31 December 2012	32	251,593	792	19,244	(277)	32,531	(7,348)	296,567	4,243	300,810

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) Capital reserve represents (i) the difference between the fair value of consideration paid for the acquisition of Shenzhen Shineyard Medical Device Co., Ltd. 深圳市擎源醫療器械有限公司 and the carrying amount of the share of net assets acquired in May 2008, and (ii) the difference between the fair value of consideration paid for the acquisition of additional equity interests in Shenzhen EnKe Medical Technology Co., Ltd. 深圳市恩科醫療科技有限公司, a non-wholly owned subsidiary of the Company, and the carrying amount of non-controlling interests acquired amounting to RMB144,000.

(iii) 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 from shareholders and the carrying amount of the share of net assets acquired in August 2006 and it is regarded as a deemed contribution from shareholders under merger accounting.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 *RMB'000*	2011 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	41,683	19,079
Adjustments for:		
Change in fair value of convertible redeemable preferred shares	—	(3,288)
Depreciation of property, plant and equipment	6,253	5,425
Amortisation charge of intangible assets	998	889
Allowance for inventories	2,297	257
Depreciation of investment properties	73	76
Impairment loss on trade and bill receivables	1,758	12
Impairment loss on other receivables	629	—
Other receivables written off as uncollectible	—	602
Loss on disposal of property, plant and equipment	—	561
Government grants	(5,764)	(5,934)
Interest income	(497)	(455)
Interest income from structured deposits	(1,855)	(527)
Unrealised foreign exchange gain	—	(1,212)
Share-based compensation expenses	—	5,118
Share of loss of an associate	10,488	—
Operating cash flows before movements in working capital	56,063	20,603
Increase in trade and bill receivables	(4,716)	(9,580)
Increase in inventories	(5,773)	(6,314)
Increase in other receivables and prepayments	(4,244)	(4,547)
Increase in trade and other payables	7,474	13,431
Increase in government grants received for operating activities	3,018	5,003
Cash generated from operations	51,822	18,596
Income taxes paid	(9,299)	(6,806)
NET CASH FROM OPERATING ACTIVITIES	42,523	11,790

	2012	2011
	RMB'000	*RMB'000*
INVESTING ACTIVITIES		
Repayments of advance to a related party	—	61
Repayments of advances to shareholders	—	140
Interest received	497	455
Interest received from structured deposits	1,855	527
Proceeds from disposal of property, plant and equipment	23	17
Deposits paid for and purchase of property, plant and equipment	(8,754)	(15,001)
Purchase of intangible assets	(1,153)	(188)
Deposit paid for acquisition of long term investment	(18,853)	—
Development costs paid	(12,450)	—
Government grants received for acquisition of plant and equipment	10,610	—
Structured deposits placed	(525,820)	(233,400)
Release of structured deposits	546,570	208,400
Capital contribution to an associate	(21,678)	—
NET CASH USED IN INVESTING ACTIVITIES	(29,153)	(38,989)
FINANCING ACTIVITIES		
Acquisition of additional interest in a subsidiary	—	(150)
Proceeds from issue of shares	—	159,425
Expenses on issue of shares	—	(10,077)
Repayments of advance from a shareholder	(54)	(1,231)
Repayments of advance from directors	(30)	—
Advance from a shareholder	—	54
Advances from directors	—	30
Contributions from non-controlling interests of subsidiaries	7	—
Dividends paid	—	(20,000)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(77)	128,051
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,293	100,852
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	185,049	83,468
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	101	729
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, representing bank balances and cash	198,443	185,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market of the The Stock Exchange of the Hong Kong Limited (the "Stock Exchange"). Its ultimate controlling shareholders are Mr. Xie Yuehui, Mr. Wu Jianhui and Mr. Li Gabriel, who are also directors of the Company. The address of the registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands, and the address of the principal place of business is Cybio Electronic Building, Langshan 2nd Street, North Area of High-tech Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China (the "PRC").

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

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

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

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB").

Amendments to International Accounting Standard ("IAS") 12	Deferred Tax: Recovery of Underlying Assets
Amendments to IFRS 7	Financial Instruments: Disclosures - Transfers of Financial Assets

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

New and revised IFRSs issued but not yet effective

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle[1]
Amendments to IFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statement, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]
IFRIC-Int 20	Stripping Costs in the Production Phase of a Surface Mine[1]

1 Effective for annual periods beginning on or after 1 January 2013

2 Effective for annual periods beginning on or after 1 January 2014

3 Effective for annual periods beginning on or after 1 January 2015

4 Effective for annual periods beginning on or after 1 July 2012

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for the Group for the annual periods beginning on 1 January 2013. The directors of the Company anticipate that the application of the new standard shall have no material impact on the amounts reported in the consolidated financial statements but may result in more extensive disclosures in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 July 2012. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods. The directors of the Company anticipate that this standard will be adopted for annual period beginning 1 January 2013.

The directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out in the annual report. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

4. SEGMENT INFORMATION

The segment information reported internally was analysed on the basis of their products supplied by the Group's operating divisions which is consistent with the internal information that are regularly reviewed by executive directors of the Company, the chief operating decision maker, for the purposes of resource allocation and assessment of performance. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

- Congenital heart diseases business: trade, manufacture, research and development of devices related to congenital and structural heart diseases.

- Peripheral vascular diseases business: trade, manufacture, research and development of devices related to peripheral vascular diseases.

- Surgical vascular repair business: trade, manufacture, research and development of devices related to surgical vascular repair.

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 2012

	Congenital heart diseases business	**Peripheral vascular diseases business**	**Surgical vascular repair business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE				
External sales	103,818	77,177	480	181,475
Segment profit	79,503	65,751	46	145,300
Unallocated income				
- other income and other gains and losses				9,598
Unallocated expense				
- Selling and distribution expenses				(41,221)
- Administration expenses				(37,898)
- Research and development expenses				(23,608)
- Share of loss of an associate				(10,488)
Profit before tax				41,683

For the year ended 31 December 2011

	Congenital heart diseases business	Peripheral vascular diseases business	Surgical vascular repair business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
SEGMENT REVENUE				
External sales	95,046	45,222	56	140,324
Segment profit	75,952	36,978	37	112,967
Unallocated income				
- other income and other gains and losses				5,018
Unallocated expense				
- Selling and distribution expenses				(34,552)
- Administration expenses				(31,246)
- Research and development expenses				(22,762)
- Offering expenses				(13,634)
- Change in fair value of convertible redeemable preferred shares				3,288
Profit before tax				19,079

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

(b) **Segment assets and liabilities**

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

Segment assets

	2012	**2011**
	RMB'000	*RMB'000*
Operating segments:		
Congenital heart diseases business	65,935	65,063
Peripheral vascular diseases business	52,360	30,956
Surgical vascular repair business	4,127	39
Total segment assets	122,422	96,058
Unallocated assets		
Bank balances and cash	198,443	185,049
Structured deposits	4,250	25,000
Other receivables and prepayments	380	1,612
Deferred tax assets	6,769	3,587
Investment properties	1,839	1,912
Interest in an associate	11,190	—
Deposit for acquisition of long term investment	18,853	—
Consolidated assets	364,146	313,218

Segment liabilities

	2012	**2011**
	RMB'000	*RMB'000*
Operating segments:		
Congenital heart diseases business	1,337	1,598
Peripheral vascular diseases business	1,163	760
Surgical vascular repair business	66	1
Total segment liabilities	2,566	2,359
Unallocated liabilities		
Government grants	27,394	19,530
Other payables	25,602	18,335
Tax payables	7,774	5,070
Amount due to a shareholder	—	54
Amounts due to directors	—	30
Consolidated liabilities	63,336	45,378

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

- all assets are allocated to operating segments other than bank balances and cash, structured deposits, deferred tax assets, investment properties, certain other receivables and prepayments, interest in an associate and deposit for acquisition of long term investment, and

- only trade payables are allocated to operating segments in arriving at segment liabilities, which therefore exclude government grants (include current portion under other payables and non-current portion), tax payables, certain other payables, amount due to a shareholder and amounts due to directors.

(c) **Other segment information**

For the year ended 31 December 2012

	Congenital heart diseases business	**Peripheral vascular diseases business**	**Surgical vascular repair business**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts included in the measure of segment profit or segment assets:				
Capital expenditure (Note)	12,790	9,508	59	22,357
Depreciation of property, plant and equipment	3,577	2,659	17	6,253
Amortisation charge of intangible assets	571	424	3	998
Allowance of inventories	1,314	977	6	2,297

For the year ended 31 December 2011

	Congenital heart diseases business *RMB'000*	Peripheral vascular diseases business *RMB'000*	Surgical vascular repair business *RMB'000*	Total *RMB'000*
Amounts included in the measure of segment profit or segment assets:				
Capital expenditure (Note)	10,288	4,895	6	15,189
Depreciation of property, plant and equipment	3,675	1,748	2	5,425
Amortisation charge of intangible assets	602	286	1	889
Allowance of inventories	174	82	1	257

Note: Capital expenditure includes additions to property, plant and equipment, intangible assets, and deposit for property, plant and equipment.

(d) **Geographical information**

The Group's operations are located in the PRC and India.

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	
	2012 *RMB'000*	**2011** *RMB'000*	**2012** *RMB'000*	**2011** *RMB'000*
PRC (country of domicile)	130,255	94,290	43,909	32,027
India	18,071	17,932	244	169
Europe	10,942	9,769	—	—
Asia, excluding PRC and India	12,932	12,284	—	—
South America	7,336	4,853	—	—
Africa	443	291	—	—
Others	1,496	905	3,053	—
Total	181,475	140,324	47,206	32,196

Note: Non-current assets excluded deferred tax assets, interest in an associate and deposit for acquisition of long term investment.

(e) **Information about major customers**

No external customers of the Group individually contributed over 10% of the Group's revenue for the years ended 31 December 2012 and 2011.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	2012	**2011**
	RMB'000	*RMB'000*
Government grants	5,764	5,934
Interest on bank deposits	497	455
Interest on structured deposits	1,855	527
Rental income	1,218	823
Loss on disposal of property, plant and equipment	—	(561)
Net foreign exchange loss (Note)	(356)	(2,971)
Others	620	811
	9,598	5,018

Note:

Net foreign exchange loss included approximately RMB1,212,000 gain arising from the translation of convertible redeemable preferred shares which was denominated in USD for the year ended 31 December 2011.

6. **PROFIT BEFORE TAX**

	2012	2011
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Salaries, wages and other benefits	47,268	29,392
Share-based compensation expense	—	5,118
Performance related bonus	5,747	—
Retirement benefits scheme contributions	2,914	2,031
Less: capitalised in development costs	(6,057)	—
	49,872	36,541
Auditor's remuneration	1,692	1,599
Impairment loss on trade and bill receivables	1,758	12
Impairment loss on other receivables	629	—
Other receivables written off as uncollectible	—	602
Cost of inventories recognised as expenses (Note)	36,175	27,357
Depreciation of property, plant and equipment	6,253	5,425
Depreciation of investment properties	73	76
Amortisation charge of intangible assets	998	889
Gross rental income from investment properties	(1,218)	(823)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	73	73
	(1,145)	(750)

Note:

For the year ended 31 December 2012, cost of inventories included allowance for inventories of RMB2,297,000 (2011: RMB257,000).

7. INCOME TAX EXPENSE

	2012	2011
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax ("PRC EIT")	12,389	7,109
Overprovision in prior years	(386)	—
Deferred tax:		
Current year	(3,182)	(592)
	8,821	6,517

The Company is tax exempted under the laws of the Cayman Islands. New Centre International Limited 新城市國際有限公司 ("New Centre"), a subsidiary of the Company, is subject to Hong Kong Profits Tax rate of 16.5% on assessable profits earned in Hong Kong. No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that two major operating subsidiaries in the PRC were qualified as High and New Technology Enterprises since 2009, and are entitled to a preferential income tax rate of 15% for the period from 2010 to 2012 and then extended to 2015.

For other PRC subsidiaries which are located in Special Economic Zone of the PRC, their applicable income tax rates are 25% and 24% for the years ended 31 December 2012 and 2011 respectively.

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

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

	2012	2011
	RMB'000	*RMB'000*
Profit before tax	41,683	19,079
Tax at the applicable tax rate of 25% (2011:25%) (Note)	10,421	4,770
Tax effect of share of loss of an associate	2,622	—
Tax effect of expenses not deductible for tax purpose:		
- fair value change on convertible redeemable preferred shares	—	(822)
- share-based compensation expense	—	1,279
- others	4,036	5,125
Tax effect of tax losses not recognised	1,035	1,022
Tax effect of additional deductible research and development expenditure	(1,572)	(1,484)
Overprovision in prior years	(386)	—
Utilisation of tax losses not recognised in previous years	—	(85)
Effect of different tax rates of subsidiaries operating in other jurisdictions	152	671
Effect of income under tax concessions	(7,487)	(3,959)
Income tax expense for the year	8,821	6,517

Note:

The tax rate of 25% represents the prevail income tax rate of the subsidiary in Shenzhen, PRC which constitute the substantial part of the Group's operations for the years ended 31 December 2012 and 2011.

8 EARNINGS PER SHARE

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

	2012	2011
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of basic earnings per share	32,352	11,830
Effect of dilutive potential ordinary shares:		
Change in fair value of convertible redeemable preferred shares	—	(3,288)
Exchange gain	—	(1,212)
Earnings for the purpose of diluted earnings per share	32,352	7,330
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (in thousands)	500,000	381,451
Effect of dilutive potential ordinary shares: Convertible redeemable preferred shares (in thousands)	—	36,050
Weighted average number of ordinary shares for the purpose of diluted earnings per share (in thousands)	500,000	417,501

9 DIVIDENDS

	2012	2011
	RMB'000	*RMB'000*
Dividends recognised as distribution during the year:		
2011: Interim - USD0.039 cents per share (equivalent to RMB0.27 cents per share) - Ordinary shares	—	20,000
	—	20,000

No final dividend was paid or proposed during the years ended 31 December 2012 and 2011, nor has any dividend proposed since the end of the reporting period.

10. TRADE AND BILL RECEIVABLES

	2012	2011
	RMB'000	*RMB'000*
Trade receivables	40,758	36,527
Less: allowance for doubtful debts	(1,741)	(12)
	39,017	36,516
Bill receivables	457	—
	39,474	36,516

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

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

	2012	2011
	RMB'000	*RMB'000*
1 to 90 days	31,265	27,044
91 to 180 days	5,109	3,768
181 to 365 days	552	2,615
Over 365 days	2,548	3,089
	39,474	36,516

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 twice a year.

Included in the Group's trade and bill receivables balance are debtors with aggregate carrying amount of approximately RMB11,421,000 (2011: RMB19,109,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The management of the Group reviews the ageing analysis at the end of reporting period and satisfied with the continuous subsequent settlement on the trade receivable balance, as a result, the impairment of trade receivable is estimated to be insignificant.

Ageing of past due but not impaired trade and bill receivables

	2012	2011
	RMB'000	*RMB'000*
Age:		
Within 90 days	5,949	10,641
91 - 180 days	2,622	2,811
181 - 365 days	302	2,568
Over 365 days	2,548	3,089
	11,421	19,109

Movement in the allowance for doubtful debts

	2012	2011
	RMB'000	*RMB'000*
1 January	12	—
Impairment losses recognised on receivables	1,760	12
Amounts written off as uncollectible	(29)	—
Impairment losses reversed	(2)	—
31 December	1,741	12

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of RMB1,741,000 (2011: RMB12,000) of which the debtors were in financial difficulties.

11. OTHER RECEIVABLES AND PREPAYMENTS

	2012	2011
	RMB'000	*RMB'000*
Other debtors (Note)	4,278	3,563
Less: allowance for doubtful debts	(629)	—
	3,649	3,563
Prepayments	2,752	1,157
Other tax recoverable	108	—
Advance to employees	5,272	4,140
Other deposits	87	373
Rental deposits	1,382	402
	13,250	9,635

Note:

Amount is unsecured, interest-free and repayable on demand. 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.

12. STRUCTURED DEPOSITS

As at 31 December 2012, the structured deposits consist of financial products of approximately RMB4,250,000 (2011: RMB25,000,000) issued by banks in the PRC, with an expected but not guaranteed return of 3.8% per annum (2011: 5.3% per annum), depending on the market price of underlying financial instruments, including listed shares and debentures, payable daily. The Group has the right to redeem the structured deposits at any time with one day notice. The structured deposits are designated at FVTPL on initial recognition as they contain non-closely related embedded derivative. The directors consider the fair values of the structured deposits, which are based on the prices provided by the counterparty banks which represented the prices they would pay to redeem the deposits at the end of reporting period, approximate to their carrying values at the same day. The fair value of the embedded derivatives is insignificant. The structured deposits are fully redeemed in January 2013 at the principal amount together with returns which approximated the expected return.

13. BANK BALANCES

The Group's bank balances carry interest at market rates which range from 0.01% to 0.385% (2011: 0.1% to 0.5%) per annum.

14. TRADE AND OTHER PAYABLES

	2012	**2011**
	RMB'000	*RMB'000*
Trade payables	2,566	2,359
Others:		
Government grants	8,547	14,722
Accrued payroll and bonus	11,668	6,645
Other payables	2,620	3,516
Accrued expenses	6,214	3,649
Value-added tax payables	1,555	1,235
Receipt in advance from customers	1,501	539
Other tax payables	737	460
Accrued audit fee	1,307	2,291
	36,715	35,416

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

	2012	**2011**
	RMB'000	*RMB'000*
0 - 30 days	1,440	733
31 - 60 days	440	284
61 - 90 days	121	313
91 - 120 days	57	50
Over 120 days	508	979
	2,566	2,359

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Company is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. There are three lines of business in our Group, including congenital and structural heart diseases business ("congenital heart diseases business"), surgical vascular repair business and peripheral vascular diseases business, providing clinically effective and commercially attractive product offerings.

Summary of the results of the Group for the financial year ended 31 December 2012 is as follows:

- Total turnover was approximately RMB181.5 million (2011: approximately RMB140.3 million), representing approximately a 29.4% increase as compared to the previous year.
- Gross profit was approximately RMB145.3 million (2011: approximately RMB113.0 million), representing approximately a 28.6% increase as compared to the previous year.
- Net profit attributable to owners of the Company was approximately RMB32.4 million (2011: approximately RMB11.8 million), representing approximately a 174.6% increase as compared to the previous year.
- The Board does not recommend any payment of final dividend for the year ended 31 December 2012.

Revenue

The results of the Group for the year ended 31 December 2012 have shown rapid increase in turnover compared with the previous year. Total turnover of the Group for the year was approximately RMB181.5 million (2011: approximately RMB140.3 million). The increase in revenue of the Group was primarily attributed to the growth of congenital heart diseases business and peripheral vascular diseases business.

Gross profit and gross profit margin

Gross profit of the Group was approximately RMB145.3 million (2011: approximately RMB113.0 million). Gross profit margin was approximately 80.1% (2011: approximately 80.5%). The decrease in gross profit margin of the Group was mainly due to the lower gross profit margin of our surgical vascular repair business. In view of the strategic alliance with Medtronic, Inc. ("Medtronic"), it is expected the surgical vascular repair business will have a substantial improvement in future.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 December 2012 were approximately RMB41.2 million (2011: approximately RMB34.6 million). The increase was attributed to additional promotion and marketing efforts and expansion of sales force during the year.

Administrative expenses

Administrative expenses for the year ended 31 December 2012 amounted to approximately RMB37.9 million (2011: approximately RMB31.2 million). The increase was mainly due to (1) the increase of consultancy fee generated after the initial public offering of the Company in November 2011 (the "IPO"), which occurred to improve internal operation level; and (2) the increase of investment on overseas subsidiaries, acquisition and alliances.

Research and development expenses

Research and development expenses for the year ended 31 December 2012 amounted to approximately RMB23.6 million (2011: approximately RMB22.8 million). Development cost of approximately RMB12.5 million has been capitalised, which we believe would bring substantial future benefit to the Company.

Share of loss of an associate

The Company had 40% of equity interest of Broncus Holding Corporation and its subsidiary Broncus Medical Inc. (collectively referred to as "Broncus"). The Group's share of loss of the associate for the year 2012 was approximately RMB10.5 million.

Changes in fair value of convertible redeemable preferred shares

During the year ended 31 December 2012, the change in fair value of convertible redeemable preferred shares was nil (2011: approximately RMB3.3 million) because the underlying 28,070,210 Series A Preferred Shares were fully converted into the same number of ordinary shares of the Company during the year of 2011.

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2012 was approximately RMB32.4 million (2011: approximately RMB11.8 million). The increased net profit was mainly attributed to the increase of sales.

BUSINESS REVIEW

China is our largest market, and sales generated from Chinese market accounted for approximately 71.8% of our total revenue (2011: approximately 67.2%). Our domestic sales realized approximately a 38.2% growth during the year, indicating stronger brand and higher market share in China. Our international market realized approximately an 11.3% growth in sales revenue. In 2012, we strengthened our sales force and explored new distributors which led to an increase in our market share.

As at 31 December 2012, we have a well-established distribution network for our products consisting of 184 distributors (2011: 161 distributors) in 36 countries (2011: 33 countries) in aggregate. We expanded into new international markets including Argentina, Belgium, France, Yemen and Taiwan during the year of 2012 and in the same year, we set up several subsidiaries in Europe to serve as new marketing bases to expand our market there, which is expected to promote our brand globally. In addition, the direct sales in Europe has been started, which marks a new business model for our Company in Europe.

Congenital heart diseases business

The Company offers one of the broadest product ranges of congenital heart defect occluders through our three generations of occluders series, i.e. HeartR, Cera and CeraFlex, as well as balloon catheter, introducer and snare, etc, and associated delivery and supporting devices. The turnover contributed by the congenital heart diseases business for the year ended 31 December 2012 was approximately RMB103.8 million (2011: approximately RMB95.0

million), realized a growth of approximately 9.3%. The ASD occluder, VSD occluder and PDA occluder experienced growth of approximately 12.0%, 10.0% and 9.2% respectively, as compared to the sales revenue of year ended 31 December 2011. The first generation of occluders, i.e. HeartR occluders, realized approximately 10.2% growth of sales. The second generation, i.e. Cera occluders realized approximately 102.1% increase as compared to sales in the year 2011. We believe the broad range of products in different markets would allow us to stay more competitive in the market.

Peripheral vascular diseases business

The products we offered in the peripheral vascular diseases business include vena cava filter, TAA and AAA stent graft, vascular plug and steerable introducer. The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2012 was approximately RMB77.2 million (2011: approximately RMB45.2 million), representing approximately a growth of 70.8%. The vena cava filter realized approximately 58.1% growth of sales revenue as compared to that of year 2011, mainly attributed to increased sales volume and consistency of the unit price during 2012. Our stent graft realized approximately a growth of 91.3% during the year ended 31 December 2012, also mainly attributed to the increased in sales volume and consistency of unit price. The increase of market coverage and strengthening of sales force contributed to the substantial rise of its revenue.

Surgical vascular repair business

Bovine heart valve is our main product in surgical vascular repair business. We have begun sales on the bovine heart valve in February 2012. The turnover contributed by the surgical vascular repair business for the year ended 31 December 2012 was approximately RMB0.5 million (2011: approximately RMB0.06 million). Due to the strategic alliance with Medtronic, it is expected this area of business will witness a substantial improvement.

Research and development

In 2012, we have made the following achievements in R&D field:

- We obtained CE certification for products Cera PFO, CeraFlex PFO, Spider PFO, and Lawmax Dilator;

- We obtained SFDA certification for Cera occluders;

- We finished pre-research work for product Renal Denervation Catheter;
- European clinical trial was completed for products Spider PFO and the CE certificate was got accordingly;
- Products Fustar, Ankura II stent graft and open surgical stent were started clinical trials in China; and
- Clinical trials were started for product LAA occluder in China, Europe and other Asian countries.

Marketing activity:

- We increased the investment on physician training programs. The physicians who are aware of our activity have appreciated our efforts in this direction and have shown interest in participating in future training programs;
- We participated in the exchange of medical device knowledge with key opinion leaders in exhibitions, which contribute to improve the product quality and reinforce our competitive abilities; and
- The evidence-based medicine program has been started and as part of this program, we collected the appraisal reports for Fustar and Ceraflex occluder and the case reports published based on the usage of our product from all over the world. The program aims to prove the reliance and advantage of our products through collecting the clinical information;
- In 2012, our Indian office had conducted 4 training camps for young and upcoming doctors in two hospitals, and we have trained 53 Indian doctors extensively on device closures and other CHD procedures. Out of the 53 doctors, 14 of them are now working on cases independently, and others are also making progress; and
- In India, we are now actively involved in the meetings of vascular surgeons. The sales people were well trained on our products in 2012, and they were all well convinced about the advantages of our filters as compared to those manufactured by our competitors and hence were able to communicate this with doctors.

FUTURE PROSPECTS

The Group will continue to rely on its two core businesses, namely congenital heart diseases business and peripheral vascular diseases business, for growth potential in the year 2013. The Group will also actively expand its product offering and strengthen its established market position. We obtained SFDA approval for Cera occluders since December 2012, and the occluders will be launched to the China market in 2013. The launch of Cera occluders in China will be a new drive to expand our domestic market and strengthen our role to serve patients in China better further.

We will continue to focus on broadening our product portfolio as well as designing innovative products to help capitalize on our growing sales network and infrastructure. Our LAA occluder is expected to complete animal studies and begin human clinical trial studies.

In order to support our product launch plan, we will increase investments on physician training programs, and continue to expand our international sales force in Europe, India, Russia and Brazil. We have established a new office in the Netherlands and it will create and reinforce the Lifetech Europe brand and help accelerate our growth in this strategic market.

The future activities will be funded partly by operational income of the Group, partly by IPO proceeds of the Company and partly by the proceeds from convertible notes issued to Medtronic.

Expansion into key international markets with current and pipeline products

- Cera occluders will be launched in China;
- CeraFlex and FuStar will be launched in Europe;
- We will commercially launch vena cava filter and stent graft in South America and Australia;
- We will commercially launch PFO in Russia and India;
- We will reinforce our presence in Asia and Latin America. It is already started by being a major supporter of a key international meeting in Vietnam in January 2013;
- We will sell products of Broncus in Asia, Russia, and Europe; and

- We will increase the number of training centers globally.

Research and development

- We will continue clinical trial for LAA occluder and Ankura II stent graft;

- We will finish Hong Kong and PRC clinical trial for Fustar as planned;

- We will start clinical trial study on peripheral stents in China; and

- Due to the alliance with Medtronic, we will improve by integrating their expertise in aspects of quality system, product design and development procedure, etc.

Marketing activity

- We will continue to expand our sales and marketing force in China, Russia and India;

- We will increase the number of our training centers globally, such as Guangdong, Beijing and Shanghai in China and Belgium;

- We will cooperate with medical societies in China, India and Russia to drive professional education;

- In India, we will continue to expand our market penetration by exploring new avenues and areas whereas the awareness of device closure for a CHD is not well established. We will start aggressively promoting our occluders in the north-eastern part of the country where the medical facility for the needy patients are very minimal. We are also planning to hire more sales managers for effective sales and marketing activities in this area. We are currently employing 7 staff members in the sales department and planning to hire up to 11 staff members in 2013; and

- We will continue to support and nourish our existing relationship with Pediatric Cardiac Society of India ("PCSI") and would support all of their major activities, including the official journals and awareness creation programmes. We are also planning to hold our signature event of "the I-fisch" conferences in 2013 at some hospitals, where we will be inviting over 700 cardiologists for this particular meeting and over 30 device and balloon live cases are being performed on our products. In 2013, we are planning to conduct 6 such camps and train around 75 new doctors. This will strengthen our leading position in the market place.

We will continue to evaluate and explore acquisitions, partnerships, alliances and licensing opportunities in 2013, to enhance our competitiveness and market position in current key markets as well as selective new markets.

Main new product in China

— **Cera Occluder**

Lifetech Cera ASD Occluder, Cera VSD Occluder and Cera PDA Occluder have obtained SFDA Registration Certificates, and we will launch it commercially in China in the year of 2013. This marks a milestone which will advance the competitiveness of the products of our congenital and structural heart diseases business in the advanced market. It will support our continued growth, development pipeline and manufacturing capabilities to better serve patients and clinicians in China.

Main new product in Europe

— **Ceraflex Occluder**

In 2013, Lifetech Ceraflex occluders will be launched in Europe. This will allow us to compete with more advanced products, which will increase the reliance placed by patients in this region.

STRATEGIC COOPERATION WITH MEDTRONIC

Medtronic and the Company created a strategic alliance that brings together the resources and technologies of the world's largest medical device company with the local market expertise, brand recognition and growth potential of a recognized leader in China, which is fast becoming one of the world's largest device markets. The strategic alliance will allow each company to serve cardiovascular patients and clinicians who previously have been unreachable by either company alone, and to develop a more robust cardiovascular platform.

Under the terms of the definitive agreements, Medtronic purchased 19.0% equity interest in the Company, and received the right of first negotiation to distribute current and future LifeTech products as well as the opportunity to acquire additional ownership in the Company. Medtronic will also provide services and expertise to the Company to support its continued growth, development pipeline and manufacturing capabilities to better serve patients and clinicians in China and globally. For further details, please refer to the announcements of the Company dated 15 October 2012 and 6 January 2013 and the circular of the Company dated 6 January 2013.

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

USE OF PROCEEDS GENERATED FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The net proceeds from the Company's issue of new shares at the IPO, after deduction of related expenses, amounted to approximately HK$156.6 million. As at 31 December 2012, the Company used approximately 26.9% of the net proceeds, being approximately HK$4.5 million to enhance market position of core cardiovascular and peripheral vascular devices in key emerging markets, approximately HK$23.6 million to continue to develop and commercialize pipeline products, approximately HK$4.5 million to the expansion into key international markets with current and pipeline products and approximately HK$9.5 million to the expansion into complementary product offers and pursue opportunistic, acquisitions, partnerships, alliances and licensing, opportunities. The net proceeds applied during the year ended 31 December 2012 are less than expected, primarily due to the postponement of the acquisition of land in the Nanshan District of Shenzhen, PRC as the relevant government approval for such acquisition is yet to be obtained as at 31 December 2012. The unused proceeds have been placed in interest bearing deposit accounts maintained with banks in Hong Kong and Shenzhen, PRC.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and bank balances of approximately RMB198.4 million as at 31 December 2012 (2011: approximately RMB185.0 million) and had no borrowings.

The Group recorded total current assets of approximately RMB280.1 million as at 31 December 2012 (2011: approximately RMB277.4 million) and total current liabilities of approximately RMB44.5 million as at 31 December 2012 (2011: approximately RMB40.6 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 6.29 as at 31 December 2012 (2011: approximately 6.83).

GEARING RATIO

As at 31 December 2012, the gearing ratio (calculated by dividing total loans and bank borrowings by total equity) of the Group is nil. (2011: Nil).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB296.6 million as at 31 December 2012 compared to approximately RMB264.1 million as at 31 December 2011. There were no long-term or short-term borrowings for 2012 and 2011. No interest was expensed or capitalized in 2012 and 2011.

SIGNIFICANT INVESTMENT

In June 2012, the Company had 40% of equity interests of Broncus. This investment did not constitute any type of notifiable transactions under the Listing Rules.

The Company bore approximately RMB10.5 million loss suffered by Broncus. Nevertheless, we expect that the losses will be turned into gains in 2014 as we expect that the benefits brought about by our investment in Broncus will come to fruition by then.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Save as disclosed in the sections headed "Business Review — Strategic Cooperation with Medtronic" and "Significant Investment" above, the Group did not make any other material acquisitions or disposals during the year ended 31 December 2012.

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

The Group is currently involved in litigation issue in India. AGA Medical Corporation ("AGA") filed a suit with the High Court of New Delhi (the "Court") against our companies, alleging that our occluders sold in India infringed its patent. For details, please refer to the section headed "Risk Factors-Risk Related to Intellectual Property Rights" in the IPO prospectus of the Company (the "Prospectus"). As at the date of this announcement, cross-examination of all of AGA's witnesses is complete and the cross-examination of the first witness of Lifetech is complete. The date for the cross-examination of Lifetech's second witness has not been fixed so far. After seeking legal advice, the Board is of the opinion that it is very unlikely that the Court will grant a permanent injunction to the plaintiff and it is also very unlikely for the Court to award damages to the plaintiff or direct delivery of infringing devices. Accordingly, the Board considers that no provision is necessary for any potential liability in the consolidated financial statements.

Save as disclosed in this announcement, the Group did not have any other contingent liabilities as of 31 December 2012.

CAPITAL EXPENDITURE

For the year ended 31 December 2012, capital expenditure of the Group for property, plant and equipment ("PPE"), intangible assets and deposits for PPE amounted to approximately RMB22.4 million (2011: approximately RMB15.2 million).

FOREIGN EXCHANGE RISK

During the year, the Group's operations are primarily based in the PRC and India. The revenue derived from India accounted for approximately 10.0% (2011: approximately 12.8%) of the total revenue of the Group. The financial statements of Lifetech Scientific India Private Limited, our sole subsidiary in India are presented in Renminbi, and in the Group a portion of the revenue and expenses are denominated in United States Dollars and Euro. Indian Rupees was unstable during the year, and the Group's operational results and financial condition may be affected by changes in the exchange rates of Renminbi against India Rupees. To minimize exposure to foreign exchange risk, most of the bank deposits of the Group are being kept in Renminbi and Hong Kong Dollars. The Directors believe that there is no significant foreign exchange risk to the Group. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

CHARGES ON GROUP ASSETS

As at 31 December 2012, the Group did not have any charges on its assets.

CAPITAL COMMITMENT

As at 31 December 2012, the Group had capital expenditure contracted for but not provided in the Consolidated Financial Statements amounting to approximately RMB1.3 million (2011: approximately RMB1.7 million).

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from: (1) congenital heart diseases business; (2) peripheral vascular diseases business; and (3) surgical vascular repair business. Financial information in respect of these operations is presented in Note 4 to the Consolidated Financial Statements of the Company.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2012, the Group had 469 (2011: 412) full time employees (including directors). Total staff costs, including Directors' emoluments, amounted to approximately RMB49.9 million for the year 2012 (2011: approximately RMB36.5 million). In respect of retirement beneift scheme, the defined contribution plan is adapted by the Group. In 2012, the amount of contributions to retirement benefits scheme is approximately RMB2.9 million (2011: approximately RMB2.0 million). Forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may not be used by the Group to reduce the existing level of contributions.

The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. The benefits provided by the Group to its employees include discretionary bonus, basic medical insurance, work injury insurance, unemployment insurance and share options to the employees. Discretionary bonus is linked to the performance of the Group as well as individual performance. The Group also arranges its staff for training to enhance their skills and knowledge.

ACHIEVEMENT OF BUSINESS OBJECTIVES

The achievements as of 30 September 2012 had been disclosed in the first quarterly report, interim report and the third quarterly report, and other achievement of our business objectives as at 31 December 2012 is as follows:

Business objectives for the period from 1 January 2012 to 31 December 2012		**Achieved business progress up to 31 December 2012**
Enhance Market Position of Core Cardiovascular and Peripheral Vascular Devices in Key Emerging Markets	We will increase investments into physician training programs.	In India, we conducted 4 training camps for young and upcoming doctors in two hospitals whereas we trained 53 Indian doctors extensively on device closures and other CHD procedures.
	We will proceed on registration of stent graft and vena cava filters for sale in India.	The registration of stent graft for sale in India is underway and is expected to be completed in 2013. The vena cava filters were available for sale in India since 2011.
	We will complete registration of bovine heart valve in Russia, India, Iran and Vietnam.	Due to strategic cooperation with Medtronic on bovine heart valve, the registration of the product would be re-scheduled according to distribution plan.
	We will commercially launch stent grafts and vena cava filters in Russia.	The certificate of stent grafts and vena cava filters for sales in Russia is yet to be obtained, and they will be launched upon obtaining the approval.

Business objectives for the period from 1 January 2012 to 31 December 2012		Achieved business progress up to 31 December 2012
	We will commercially launch Cera occluders in China and CeraFlex occluders in Russia.	We will commercially launch Cera occluders in China in 2013 since the SFDA certification was obtained at the end of 2012. As the certificate of CeraFlex for sales is yet to be obtained in Russia, it will be commercially launched in that region after 2012.
Continue to Develop and Commercialize Pipeline Products	We will commercially launch PFO occluders in Europe.	In 2012, we launched PFO occluders in Europe, such as Turkey, Germany, Italy and the Netherlands.
	We will start clinical trial work for LAA occluder.	LAA occluder started clinical trials in China, Europe and other Asian countries.
	We will complete clinical trials on PTCA and PTA drug-eluting balloons and start animal testing work for bronchial valve.	These projects are delayed since they are in the progress of reassessment.
Expansion into Key International Markets with Current and Pipeline Products	We will continue to recruit top global talents into our sales and marketing team.	We hired and trained two sales managers for European and Middle-east market.
	We will launch occluders in Hong Kong.	We launched occluders in Hong Kong in the second half year of 2012.

Business objectives for the period from 1 January 2012 to 31 December 2012		Achieved business progress up to 31 December 2012
	We will commercially launch Fustar steerable introducer in the USA.	We successfully launched Fustar steerable introducer in the USA in 2012.
	We will increase our presence at global trade shows and physician conference.	In 2012 we participated in many tradeshows including AEPC, PCR, and CSI which all focused on our physician customers.
	We will establish an external global key opinion leaders advisory board to facilitate the regular exchange of medical device knowledge between key opinion leaders and us.	We have established an external global key opinion leader advisory board which allows us to obtain expert's opinions directly to improve product quality.
	We will launch occluders in Australia.	The certificate of occluders for sales in Australia is yet to be obtained, and it will be launched upon obtaining the approval.
Expansion into Complementary Product Offerings	We will start clinical trial study for peripheral stents.	Peripheral stent will start clinical trial in 2013 in China.
	We will complete animal study for absorbable coronary stents.	We continue animal study on absorbable coronary stents.

Business objectives for the period from 1 January 2012 to 31 December 2012		Achieved business progress up to 31 December 2012
	We will continue animal study on absorbable stent and occluders.	We continue animal study on absorbable stent and occluders.
Pursue Opportunistic Acquisitions, Partnerships, Alliances and Licensing Opportunities	We will evaluate and explore acquisitions, partnerships, alliances and licensing opportunities.	a) The Company had 40% of equity interests of Broncus, which will establish a global platform and allow us to bring advanced technology to lung cancer patients in China. b) Medtronic and the Company created a strategic alliance that will bring together the resources and technologies of the world's largest medical device company with the local market expertise, brand recognition and growth potential of a recognized leader in China.

The business objectives as stated in the Prospectus were based on the best estimation of future market conditions made by the Group at the time of preparing the Prospectus while the achievements were applied in accordance with the actual development of the market and the Company.

DIRECTORS' INTERESTS IN CONTRACTS

The Company has been informed by Orchid Asia Group Management, Limited and its affiliates ("Orchid Asia") that Orchid Asia III. L.P. has, on 14 October 2012, entered into the share purchase agreement (the "Share Purchase Agreement") with Medtronic pursuant to which Orchid Asia agreed to sell and Medtronic agreed to purchase 95,000,000 shares of the Company ("Shares"), representing approximately 19% of the issued share capital of the Company as at the date of the Share Purchase Agreement, to Medtronic for a consideration of HK$361,000,000 at HK$3.80 per Share (the "Share Purchase"). While the Company is not privy to the terms of the Share Purchase, the Company has been informed by the parties to the Share Purchase Agreement that completion under the Share Purchase is conditional upon completion of the first tranche convertible notes (the "First Tranche Convertible Notes") under an investment agreement (the "Investment Agreement") which forms part of the transaction agreements in the strategic alliance with Medtronic.

Given that the completion of the Share Purchase is inter-conditional with the completion of the First Tranche Convertible Notes, Mr. Gabriel Li, being a non-executive director and a beneficial owner of Orchid Asia as at date of the board meeting for approving, among other matters, the Investment Agreement and the related transactions contemplated thereunder, has abstained from voting in respect of such resolutions of the Board.

Save for the above, the directors have confirmed that so far as they are aware, there were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

During the year ended 31 December 2012, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

DIRECTORS' INTEREST IN A COMPETING BUSINESS

During the year ended 31 December 2012 and save as disclosed in the Prospectus, the directors were not aware of any business or interest of the directors or any substantial shareholder (as defined under the GEM Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

BANK BORROWINGS

The Group has no bank borrowings of the Group as at 31 December 2012 (2011: Nil).

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the required standard set out in Rule 5.46 of the GEM Listing Rules — Model Code for Securities Transactions by Directors of Listed Companies. Specific enquiry has been made of all the directors and the directors have confirmed that they had complied with such code of conduct from the date of listing of the Company's shares on the Stock Exchange up to 31 December 2012.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance to safeguard the interest of its shareholders and enhance its corporate value. Throughout the year ended 31 December 2012, the Company has complied with the code provisions in the former Code on Corporate Governance Practices and the revised Corporate Governance Code as set out in Appendix 15 of the GEM Listing Rules which came into effect on 1 April 2012.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by South West Capital Limited ("SWCL"), the Company's compliance adviser, neither SWCL nor any of its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2012. SWCL has resigned the compliance adviser with effect from 28 January 2013. On 7 March 2013, First Shanghai Capital Limited ("FSCL") was appointed as compliance adviser by the Company. As notified by FSCL, neither FSCL nor any of its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities).

FINAL DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 December 2012 (2011: Nil).

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting of the Company ("2013 Annual General Meeting") will be held on 28 May 2013.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2013 Annual General Meeting, the register of members of the Company will be closed from Thursday, 23 May 2013 to Tuesday, 28 May 2013, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tricor Investor Services Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, by no later than 4:30 p.m. on Wednesday, 22 May 2013.

AUDIT COMMITTEE REVIEW

The Group's audited annual results for the year ended 31 December 2012 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

By order of the Board
LifeTech Scientific Corporation
XIE Yuehui
Chairman and Executive Director

Shenzhen, PRC, 25 March 2013

As at the date of announcement, the Board comprises Mr. XIE Yuehui and Mr. ZHAO Yiwei Michael being executive directors of the Company; Mr. WU Jianhui, Mr. MARTHA Geoffrey S. and Dr. LIDDICOAT John R. being non-executive directors of the Company; and Mr. LIANG Hsien Tse Joseph, Mr. ZHANG Xingdong, Mr. ZHOU Gengshen being independent non-executive directors of the Company.

This announcement, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and (ii) there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for 7 days from the date of its posting. This announcement will also be posted on the Company's website at http://www.lifetechmed.com.