



# LifeTech Scientific Corporation 先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 08122



**2013**  
*Interim Report*

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**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.**

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This report, 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 report 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 report misleading.



## HIGHLIGHTS

- Turnover for the six months ended 30 June 2013 was approximately RMB108.7 million, representing an increase of approximately 22.3% as compared with the corresponding period in 2012.
- Loss attributable to shareholders of the Company for the six months ended 30 June 2013 was approximately RMB56.0 million, primarily due to the record of change in fair value of convertible notes of approximately RMB64.0 million, finance cost arising from the convertible notes amounting to approximately RMB4.1 million and the share of loss of Broncus amounting to approximately RMB8.6 million for the six months ended 30 June 2013. For illustrative purposes, with the exclusion of the change in fair value of convertible notes, the Company would have recorded profit attributable to owners of the Company of approximately RMB8.0 million for the six months ended 30 June 2013, representing a decrease of approximately 63.5% as compared with the corresponding period in 2012.
- The Board does not recommend the payment of any dividend for the six months ended 30 June 2013.

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

The board (the “Board”) of directors (the “Directors”) of LifeTech Scientific Corporation (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and six months ended 30 June 2013 together with the comparative figures for the corresponding periods in 2012.



**Deloitte.**

**德勤**

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF LIFETECH SCIENTIFIC CORPORATION**

(incorporated in Cayman Islands with limited liability)

**Introduction**

We have reviewed the condensed consolidated financial statements of LifeTech Scientific Corporation (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 4 to 31, which comprise the condensed consolidated statement of financial position as of 30 June 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The GEM Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

**Scope of Review**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statements of profit or loss and other comprehensive income for each of the three-month periods ended 30 June 2013 and 2012 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

## **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

9 August 2013

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

|   | NOTES | Three months ended<br>30 June  |                                | Six months ended<br>30 June    |                                |
|---|-------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   |       | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) |
| Revenue   | 4     | 58,107                         | 46,425                         | 108,693                        | 88,885                         |
| Cost of sales   |       | (9,954)                        | (9,429)                        | (18,626)                       | (17,725)                       |
| Gross profit  |       | 48,153                         | 36,996                         | 90,067                         | 71,160                         |
| Other income and other gains and losses   |       | (155)                          | 2,310                          | 458                            | 3,605                          |
| Selling and distribution expenses   |       | (14,128)                       | (9,420)                        | (24,782)                       | (17,415)                       |
| Administration expenses   |       | (13,594)                       | (7,421)                        | (24,090)                       | (15,745)                       |
| Research and development expenses   |       | (7,552)                        | (6,403)                        | (13,577)                       | (12,775)                       |
| Finance costs   |       | (2,583)                        | —                              | (4,287)                        | —                              |
| Share of loss of an associate   | 11    | (4,118)                        | (1,773)                        | (8,632)                        | (1,773)                        |
| Profit before tax and change in fair value<br>of convertible notes                              |       | 6,023                          | 14,289                         | 15,157                         | 27,057                         |
| Change in fair value of convertible notes   |       | 18,552                         | —                              | (63,956)                       | —                              |
| Profit (loss) before tax  | 5     | 24,575                         | 14,289                         | (48,799)                       | 27,057                         |
| Income tax expense  | 6     | (4,090)                        | (2,584)                        | (7,117)                        | (4,847)                        |
| Profit (loss) for the period  |       | 20,485                         | 11,705                         | (55,916)                       | 22,210                         |
| Other comprehensive income:<br>Item that may be reclassified subsequently<br>to profit or loss: |       |                                |                                |                                |                                |
| Exchange differences on translation of<br>foreign operations                                    |       | 485                            | 104                            | 461                            | 55                             |
| Total comprehensive income (expense) for<br>the period  |       | 20,970                         | 11,809                         | (55,455)                       | 22,265                         |
| Profit (loss) for the period attributable to:   |       |                                |                                |                                |                                |
| Owners of the Company   |       | 20,281                         | 11,400                         | (56,040)                       | 21,866                         |
| Non-controlling interests   |       | 204                            | 305                            | 124                            | 344                            |
|   |       | 20,485                         | 11,705                         | (55,916)                       | 22,210                         |



|  | NOTE | Three months ended<br>30 June  |                                | Six months ended<br>30 June    |                                |
|--|------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  |      | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) |
| Total comprehensive income<br>(expense) attributable to: |      |                                |                                |                                |                                |
| Owners of the Company                                    |      | 20,766                         | 11,504                         | (55,579)                       | 21,921                         |
| Non-controlling interests                                |      | 204                            | 305                            | 124                            | 344                            |
|  |      | <u>20,970</u>                  | <u>11,809</u>                  | <u>(55,455)</u>                | <u>22,265</u>                  |
| Earnings (loss) per share                                | 8    |                                |                                |                                |                                |
| – Basic (RMB)  |      | 0.041                          | 0.023                          | (0.112)                        | 0.044                          |
| – Diluted (RMB)  |      | 0.006                          | N/A                            | (0.112)                        | N/A                            |

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
AS AT 30 JUNE 2013

|  | NOTES | <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2012<br>RMB'000<br>(Audited) |
|--|-------|---|---|
| <b>Non-current assets</b>  |       |   |   |
| Property, plant and equipment                                      | 9     | 27,087  | 26,830                                      |
| Intangible assets  | 9     | 22,290  | 17,145                                      |
| Prepaid lease payments   | 10    | 36,436  | —   |
| Investment properties  |       | 1,802   | 1,839                                       |
| Interest in an associate   | 11    | 2,636   | 11,190                                      |
| Deposits paid for acquisition of<br>property, plant and equipment  |       | 2,120   | 1,392                                       |
| Deposits for acquisition of long term investment/intangible assets | 12    | 31,133  | 18,853                                      |
| Deferred tax assets  |       | 11,834  | 6,769                                       |
|  |       | <b>135,338</b>                                      | <b>84,018</b>                               |
| <b>Current assets</b>  |       |   |   |
| Inventories  |       | 27,372  | 24,711                                      |
| Loan receivable  | 13    | 32,000  | —   |
| Trade and bills receivables  | 14    | 44,803  | 39,474                                      |
| Other receivables and prepayments                                  |       | 20,301  | 13,250                                      |
| Amount due from a shareholder                                      | 23(b) | 1,545   | —   |
| Amount due from an associate                                       | 23(c) | 3,089   | —   |
| Prepaid lease payments   | 10    | 1,271   | —   |
| Structured deposits  |       | —   | 4,250                                       |
| Bank balances and cash   |       | 273,883   | 198,443                                     |
|  |       | <b>404,264</b>                                      | <b>280,128</b>                              |
| <b>Current liabilities</b>   |       |   |   |
| Trade and other payables   | 15    | 41,668  | 36,715                                      |
| Tax payables   |       | 13,664  | 7,774                                       |
| Amount due to a shareholder  | 23(b) | 718   | —   |
| Bank borrowings  | 16    | 35,000  | —   |
|  |       | <b>91,050</b>                                       | <b>44,489</b>                               |





## NOTES

|  |    | <b>30 June</b>     | 31 December |
|--|----|--------------------|-------------|
|  |    | <b>2013</b>        | 2012        |
|  |    | <b>RMB'000</b>     | RMB'000     |
|  |    | <b>(Unaudited)</b> | (Audited)   |
| <b>Net current assets</b>                    |    | <b>313,214</b>     | 235,639     |
| <b>Total assets less current liabilities</b> |    | <b>448,552</b>     | 319,657     |
| <b>Non-current liabilities</b>               |    |                    |             |
| Government grants                            | 17 | <b>18,349</b>      | 18,847      |
| Convertible notes                            | 18 | <b>63,041</b>      | —           |
| Conversion option derivative liability       | 18 | <b>121,807</b>     | —           |
|  |    | <b>203,197</b>     | 18,847      |
|  |    | <b>245,355</b>     | 300,810     |
| <b>Capital and reserves</b>                  |    |                    |             |
| Share capital                                | 19 | <b>32</b>          | 32          |
| Share premium and reserves                   |    | <b>240,956</b>     | 296,535     |
| Equity attributable to owners of the Company |    | <b>240,988</b>     | 296,567     |
| Non-controlling interests                    |    | <b>4,367</b>       | 4,243       |
| <b>Total equity</b>                          |    | <b>245,355</b>     | 300,810     |

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE SIX MONTHS ENDED 30 JUNE 2013

|   | Attributable to owners of the Company |                |                     |                           |                      |                       |                    | Total          | Non-controlling interests | Total equity   |
|---|---------------------------------------|----------------|---------------------|---------------------------|----------------------|-----------------------|--------------------|----------------|---------------------------|----------------|
|   | Share capital                         | Share premium  | Translation reserve | Statutory surplus reserve | Capital reserve      | Contribution reserve  | Accumulated losses |                |                           |                |
|   | RMB'000                               | RMB'000        | RMB'000             | RMB'000<br>(Note i)       | RMB'000<br>(Note ii) | RMB'000<br>(Note iii) | RMB'000            | RMB'000        | RMB'000                   | RMB'000        |
| <b>At 1 January 2012</b>                            | 32                                    | 251,593        | 691                 | 13,411                    | (277)                | 32,531                | (33,867)           | 264,114        | 3,726                     | 267,840        |
| Profit for the period                               | —                                     | —              | —                   | —                         | —                    | —                     | 21,866             | 21,866         | 344                       | 22,210         |
| Other comprehensive income for the period           | —                                     | —              | 55                  | —                         | —                    | —                     | —                  | 55             | —                         | 55             |
| Total comprehensive income for the period           | —                                     | —              | 55                  | —                         | —                    | —                     | 21,866             | 21,921         | 344                       | 22,265         |
| <b>At 30 June 2012 (unaudited)</b>                  | <u>32</u>                             | <u>251,593</u> | <u>746</u>          | <u>13,411</u>             | <u>(277)</u>         | <u>32,531</u>         | <u>(12,001)</u>    | <u>286,035</u> | <u>4,070</u>              | <u>290,105</u> |
| <b>At 1 January 2013</b>                            | 32                                    | 251,593        | 792                 | 19,244                    | (277)                | 32,531                | (7,348)            | 296,567        | 4,243                     | 300,810        |
| Loss for the period                                 | —                                     | —              | —                   | —                         | —                    | —                     | (56,040)           | (56,040)       | 124                       | (55,916)       |
| Other comprehensive income for the period           | —                                     | —              | 461                 | —                         | —                    | —                     | —                  | 461            | —                         | 461            |
| Total comprehensive income (expense) for the period | —                                     | —              | 461                 | —                         | —                    | —                     | (56,040)           | (55,579)       | 124                       | (55,455)       |
| <b>At 30 June 2013 (unaudited)</b>                  | <u>32</u>                             | <u>251,593</u> | <u>1,253</u>        | <u>19,244</u>             | <u>(277)</u>         | <u>32,531</u>         | <u>(63,388)</u>    | <u>240,988</u> | <u>4,367</u>              | <u>245,355</u> |

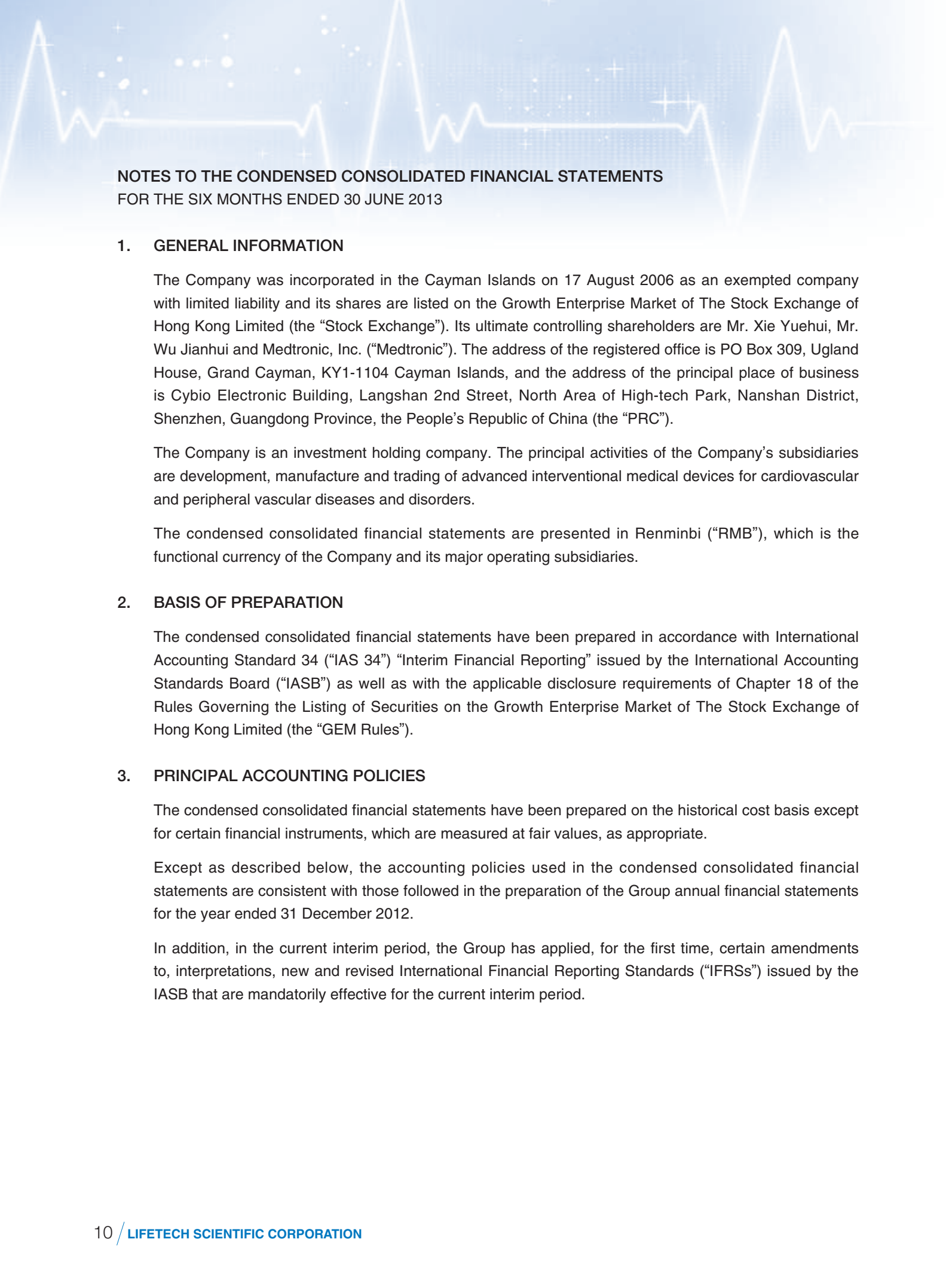
Notes:

- (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.



**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2013**

|   | <b>Six months ended 30 June</b>                     |   |
|---|---|---|
|   | <b>2013</b><br><b>RMB'000</b><br><b>(Unaudited)</b> | <b>2012</b><br><b>RMB'000</b><br><b>(Unaudited)</b> |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>   | <b>10,730</b>                                       | 17,106  |
| <b>INVESTING ACTIVITIES</b>   |   |   |
| Deposits paid for and purchase of property, plant and equipment                               | <b>(3,839)</b>                                      | (3,919)   |
| Expenditure incurred and capitalised as intangible assets                                     | <b>(5,688)</b>                                      | (5,482)   |
| Capital contribution to an associate  | —   | (21,678)  |
| Deposits paid for acquisition of long term investment/intangible assets                       | <b>(12,600)</b>                                     | (20,731)  |
| Structured deposits placed  | <b>(10,000)</b>                                     | (277,400)   |
| Release of structured deposits  | <b>14,250</b>                                       | 253,180   |
| Government grants received for acquisition of plant and equipment                             | <b>500</b>  | 9,700   |
| Loan advanced   | <b>(32,000)</b>                                     | —   |
| Purchases of prepaid lease payments   | <b>(38,131)</b>                                     | —   |
| Advance to an associate   | <b>(3,089)</b>                                      | —   |
| Other investing cash flows  | <b>856</b>  | 937   |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  | <b>(89,741)</b>                                     | (65,393)  |
| <b>FINANCING ACTIVITIES</b>   |   |   |
| Net proceeds on issue of convertible notes  | <b>118,990</b>                                      | —   |
| New bank loans raised   | <b>35,000</b>                                       | —   |
| Repayment of advance from a shareholder   | —   | (39)  |
| Repayments of advance from directors  | —   | (30)  |
| <b>NET CASH FROM (USED IN) FINANCING ACTIVITIES</b>   | <b>153,990</b>                                      | (69)  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                   | <b>74,979</b>                                       | (48,356)  |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>                                   | <b>198,443</b>                                      | 185,049   |
| <b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>  | <b>461</b>  | 55  |
| <b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD,</b><br>representing bank balances and cash | <b>273,883</b>                                      | 136,748   |



**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE SIX MONTHS ENDED 30 JUNE 2013

**1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate controlling shareholders are Mr. Xie Yuehui, Mr. Wu Jianhui and Medtronic, Inc. (“Medtronic”). The address of the registered office is PO Box 309, Uglan 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’s subsidiaries are development, manufacture and trading of advanced interventional medical devices for cardiovascular and peripheral vascular diseases and disorders.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company and its major operating subsidiaries.

**2. BASIS OF PREPARATION**

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”) “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Rules”).

**3. PRINCIPAL ACCOUNTING POLICIES**

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

Except as described below, the accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group annual financial statements for the year ended 31 December 2012.

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



### 3. PRINCIPAL ACCOUNTING POLICIES - continued

#### *IFRS 13 Fair Value Measurement*

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements. The scope of IFRS 13 is broad, and 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, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 21.

#### *Amendments to IAS 1 Presentation of Items of Other Comprehensive Income*

The amendments to IAS 1 introduce new terminology for 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. 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 additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

In addition, the following accounting policies are adopted and applied by the Group in the current interim period as they have become applicable to the Group.

### 3. PRINCIPAL ACCOUNTING POLICIES - continued

#### Financial instruments

##### *Convertible notes*

Convertible notes issued by the Company that contain both liability and conversion option components are classified separately into respective items on initial recognition. Conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative. At the date of issue, both the liability and conversion option components are recognised at fair value.

In subsequent periods, the liability component of the convertible notes is carried at amortised cost using the effective interest method. The conversion option derivative together with other embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible notes using the effective interest method.

#### Leasing

##### *Leasehold land*

Interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the condensed consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

### 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.



#### 4. 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:

|   | Congenital<br>heart<br>diseases<br>business<br>RMB'000<br>(Unaudited) | Peripheral<br>vascular<br>diseases<br>business<br>RMB'000<br>(Unaudited) | Surgical<br>vascular<br>repair<br>business<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|---|---|--|--|---------------------------------|
| <b>Three months ended 30 June 2013</b>      |   |  |  |                                 |
| <b>SEGMENT REVENUE</b>                      |   |  |  |                                 |
| External sales                              | 28,700  | 29,340   | 67   | 58,107                          |
| Segment profit                              | 23,278  | 24,866   | 9  | 48,153                          |
| Unallocated expense                         |   |  |  |                                 |
| – Other income and other gains and losses   |   |  |  | (155)                           |
| – Selling and distribution expenses         |   |  |  | (14,128)                        |
| – Administration expenses                   |   |  |  | (13,594)                        |
| – Research and development expenses         |   |  |  | (7,552)                         |
| – Finance costs                             |   |  |  | (2,583)                         |
| – Change in fair value of convertible notes |   |  |  | 18,552                          |
| – Share of loss of an associate             |   |  |  | (4,118)                         |
| Profit before tax                           |   |  |  | 24,575                          |
| <b>Three months ended 30 June 2012</b>      |   |  |  |                                 |
| <b>SEGMENT REVENUE</b>                      |   |  |  |                                 |
| External sales                              | 27,387  | 18,939   | 99   | 46,425                          |
| Segment profit                              | 21,760  | 15,210   | 26   | 36,996                          |
| Unallocated income                          |   |  |  |                                 |
| – Other income and other gains and losses   |   |  |  | 2,310                           |
| Unallocated expense                         |   |  |  |                                 |
| – Selling and distribution expenses         |   |  |  | (9,420)                         |
| – Administration expenses                   |   |  |  | (7,421)                         |
| – Research and development expenses         |   |  |  | (6,403)                         |
| – Share of loss of an associate             |   |  |  | (1,773)                         |
| Profit before tax                           |   |  |  | 14,289                          |

#### 4. SEGMENT INFORMATION - continued

##### (a) Segment revenue and results - continued

|  | Congenital<br>heart<br>diseases<br>business<br>RMB'000<br>(Unaudited) | Peripheral<br>vascular<br>diseases<br>business<br>RMB'000<br>(Unaudited) | Surgical<br>vascular<br>repair<br>business<br>RMB'000<br>(Unaudited) | Total<br>RMB'000<br>(Unaudited) |
|--|---|--|--|---------------------------------|
| <b>Six months ended 30 June 2013</b>           |   |  |  |                                 |
| <b>SEGMENT REVENUE</b>                         |   |  |  |                                 |
| External sales                                 | 53,526  | 54,966   | 201  | 108,693                         |
| Segment profit                                 | 43,615  | 46,433   | 19   | 90,067                          |
| Unallocated expense                            |   |  |  |                                 |
| – Other income and other gains<br>and losses   |   |  |  | 458                             |
| – Selling and distribution expenses            |   |  |  | (24,782)                        |
| – Administration expenses                      |   |  |  | (24,090)                        |
| – Research and development expenses            |   |  |  | (13,577)                        |
| – Finance costs                                |   |  |  | (4,287)                         |
| – Change in fair value of<br>convertible notes |   |  |  | (63,956)                        |
| – Share of loss of an associate                |   |  |  | (8,632)                         |
| Loss before tax                                |   |  |  | (48,799)                        |
| <b>Six months ended 30 June 2012</b>           |   |  |  |                                 |
| <b>SEGMENT REVENUE</b>                         |   |  |  |                                 |
| External sales                                 | 49,175  | 39,528   | 182  | 88,885                          |
| Segment profit                                 | 38,930  | 32,206   | 24   | 71,160                          |
| Unallocated income                             |   |  |  |                                 |
| – Other income and other gains<br>and losses   |   |  |  | 3,605                           |
| Unallocated expense                            |   |  |  |                                 |
| – Selling and distribution expenses            |   |  |  | (17,415)                        |
| – Administration expenses                      |   |  |  | (15,745)                        |
| – Research and development expenses            |   |  |  | (12,775)                        |
| – Share of loss of an associate                |   |  |  | (1,773)                         |
| Profit before tax                              |   |  |  | 27,057                          |

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.





#### 4. SEGMENT INFORMATION - continued

##### (b) Segment assets and liabilities

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

##### Segment assets

|   | <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2012<br>RMB'000<br>(Audited) |
|---|---|---|
| Operating segments:   |   |   |
| Congenital heart diseases business                                    | <b>76,813</b>                                       | 65,935                                      |
| Peripheral vascular diseases business                                 | <b>57,359</b>                                       | 52,360                                      |
| Surgical vascular repair business                                     | <b>5,701</b>  | 4,127                                       |
|   | <hr/>   | <hr/>                                       |
| Total segment assets  | <b>139,873</b>                                      | 122,422                                     |
| Unallocated assets  |   |   |
| Bank balances and cash  | <b>273,883</b>                                      | 198,443                                     |
| Structured deposits   | —   | 4,250                                       |
| Other receivables and prepayments                                     | <b>4,100</b>  | 380   |
| Deferred tax assets   | <b>11,834</b>                                       | 6,769                                       |
| Deposits for acquisition of long term<br>investment/intangible assets | <b>31,133</b>                                       | 18,853                                      |
| Interest in an associate  | <b>2,636</b>  | 11,190                                      |
| Investment properties   | <b>1,802</b>  | 1,839                                       |
| Amount due from a shareholder   | <b>1,545</b>  | —   |
| Amount due from an associate  | <b>3,089</b>  | —   |
| Loan receivable   | <b>32,000</b>                                       | —   |
| Prepaid lease payments  | <b>37,707</b>                                       | —   |
|   | <hr/>   | <hr/>                                       |
| Consolidated assets   | <b>539,602</b>                                      | 364,146                                     |
|   | <hr/> <hr/>   | <hr/> <hr/>                                 |

#### 4. SEGMENT INFORMATION - continued

##### (b) Segment assets and liabilities - continued

##### Segment liabilities

|  | <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2012<br>RMB'000<br>(Audited) |
|--|---|---|
| Operating segments:                    |   |   |
| Congenital heart diseases business     | <b>2,110</b>  | 1,337                                       |
| Peripheral vascular diseases business  | <b>1,864</b>  | 1,163                                       |
| Surgical vascular repair business      | <b>128</b>  | 66  |
|  | <hr/>   | <hr/>                                       |
| Total segment liabilities              | <b>4,102</b>  | 2,566                                       |
| Unallocated liabilities                |   |   |
| Government grants                      | <b>28,052</b>                                       | 27,394                                      |
| Other payables                         | <b>27,863</b>                                       | 25,602                                      |
| Tax payables                           | <b>13,664</b>                                       | 7,774                                       |
| Bank borrowings                        | <b>35,000</b>                                       | —   |
| Amount due to a shareholder            | <b>718</b>  | —   |
| Convertible notes                      | <b>63,041</b>                                       | —   |
| Conversion option derivative liability | <b>121,807</b>                                      | —   |
|  | <hr/>   | <hr/>                                       |
| Consolidated liabilities               | <b>294,247</b>                                      | 63,336                                      |
|  | <hr/> <hr/>   | <hr/> <hr/>                                 |

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, deposits for acquisition of long term investment/intangible assets, loan receivable, prepaid lease payments, amount due from a shareholder and amount due from an associate; 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, bank borrowings, amount due to a shareholder, convertible notes and conversion option derivative liability.



## 5. PROFIT (LOSS) BEFORE TAX

|  | Three months ended<br>30 June  |                                | Six months ended<br>30 June    |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) |
| Profit (loss) before tax<br>has been arrived at after<br>charging (crediting): |                                |                                |                                |                                |
| Staff costs, including directors'<br>remuneration                              |                                |                                |                                |                                |
| Salaries, wages and other benefits   | 13,355                         | 10,976                         | 25,579                         | 22,034                         |
| Retirement benefits scheme<br>contributions                                    | 983                            | 632                            | 1,937                          | 1,188                          |
| Less: capitalised in development<br>costs                                      | (1,524)                        | (1,098)                        | (3,291)                        | (2,304)                        |
|  | <b>12,814</b>                  | <b>10,510</b>                  | <b>24,225</b>                  | <b>20,918</b>                  |
| Auditor's remuneration   | 400                            | 333                            | 451                            | 333                            |
| Impairment loss on trade and bill<br>receivables                               | —                              | 1,013                          | —                              | 1,050                          |
| Cost of inventories recognised as<br>expenses                                  | 9,954                          | 9,429                          | 18,626                         | 17,725                         |
| Depreciation of property, plant and<br>equipment                               | 1,378                          | 1,722                          | 2,854                          | 3,235                          |
| Depreciation of investment<br>properties                                       | 19                             | 19                             | 37                             | 37                             |
| Release of prepaid lease payments  | 318                            | —                              | 424                            | —                              |
| Amortisation charge of intangible<br>assets                                    | 279                            | 282                            | 543                            | 513                            |
| Loss on disposal of property, plant<br>and equipment                           | —                              | 1                              | —                              | 1                              |

5. PROFIT (LOSS) BEFORE TAX - continued

|   | Three months ended<br>30 June  |                                | Six months ended<br>30 June    |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) |
| Operating lease rentals in respect<br>of rented premises  | 1,581                          | 1,546                          | 3,205                          | 2,814                          |
| Government grants   | (830)                          | (1,406)                        | (1,169)                        | (1,601)                        |
| Interest on bank deposits   | (383)                          | (83)                           | (657)                          | (151)                          |
| Interest on structured deposits   | (199)                          | (449)                          | (199)                          | (784)                          |
| Interest on loan receivable   | (392)                          | —                              | (392)                          | —                              |
| Interest expense on bank<br>borrowings  | 159                            | —                              | 159                            | —                              |
| Effective interest expense<br>on convertible notes  | 2,465                          | —                              | 4,128                          | —                              |
| Gross rental income from<br>investment properties   | (303)                          | (303)                          | (606)                          | (612)                          |
| Less: direct operating expenses<br>incurred for investment<br>properties that generated<br>rental income during<br>the period | 19                             | 19                             | 37                             | 37                             |
|   | <b>(284)</b>                   | <b>(284)</b>                   | <b>(569)</b>                   | <b>(575)</b>                   |



## 6. INCOME TAX EXPENSE

|  | Three months ended<br>30 June  |                                | Six months ended<br>30 June    |                                |
|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|  | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) |
| Current tax                              |                                |                                |                                |                                |
| PRC Enterprise Income<br>Tax ("PRC EIT") | 5,802                          | 3,823                          | 12,182                         | 6,057                          |
| Deferred tax                             |                                |                                |                                |                                |
| Current period                           | (1,712)                        | (1,239)                        | (5,065)                        | (1,210)                        |
|  | <u>4,090</u>                   | <u>2,584</u>                   | <u>7,117</u>                   | <u>4,847</u>                   |

The Company is tax exempted under the laws of the Cayman Islands. New Centre International Limited 新城市國際有限公司, a subsidiary of the Company, is subject to Hong Kong Profits Tax rate of 16.5% on assessable profits earned in Hong Kong. No provision for Hong Kong Profits Tax has been made 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 is subject to review once every three years. As at 31 December 2012, these two major subsidiaries have obtained the approval to enjoy the preferential income tax rate of 15% from 2012 to 2015.

For other PRC subsidiaries which are located in Special Economic Zone of the PRC, their applicable income tax rates are 25% for the period ended 30 June 2013 and 2012 respectively.

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

## 7. DIVIDENDS

No dividends were paid, declared or proposed during the interim periods ended 30 June 2013 and 2012. The directors do not recommend the payment of an interim dividend.

## 8. EARNINGS (LOSS) PER SHARE

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

|   | Three months ended<br>30 June  |                                | Six months ended<br>30 June    |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) | 2013<br>RMB'000<br>(Unaudited) | 2012<br>RMB'000<br>(Unaudited) |
| <b>Earnings:</b>  |                                |                                |                                |                                |
| Earnings (loss) for the purpose of basic earnings (loss) per share                            |                                |                                |                                |                                |
| Profit (loss) for the period attributable to owners of the Company                            | 20,281                         | 11,400                         | (56,040)                       | 21,866                         |
| Effect of dilutive potential ordinary shares:   |                                |                                |                                |                                |
| Change in fair value of convertible notes   | (18,552)                       | —                              | —                              | —                              |
| Exchange difference from convertible notes  | (849)                          | —                              | —                              | —                              |
| Effective interest on convertible notes   | 2,465                          | —                              | —                              | —                              |
| Earnings for the purpose of diluted (loss) earnings per share                                 | <u>3,345</u>                   | <u>11,400</u>                  | <u>(56,040)</u>                | <u>21,866</u>                  |
| <b>Number of shares:</b>  |                                |                                |                                |                                |
| Number of ordinary shares for the purpose of basic earnings (loss) per share (in thousands)   | 500,000                        | 500,000                        | 500,000                        | 500,000                        |
| Effect of dilutive potential ordinary shares:   |                                |                                |                                |                                |
| Convertible notes (in thousands)  | <u>40,000</u>                  | —                              | —                              | —                              |
| Number of ordinary shares for the purpose of diluted (loss) earnings per share (in thousands) | <u>540,000</u>                 | <u>500,000</u>                 | <u>500,000</u>                 | <u>500,000</u>                 |

The computation of diluted loss per share for the six months ended 30 June 2013 does not assume the conversion of convertible notes because the conversion of convertible notes would result in decrease in loss per share.

Diluted earnings per share for the three months ended and six months ended 30 June 2012 is not presented as no dilutive potential shares were outstanding during both periods.



## 9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the current period, the Group spent approximately RMB3,111,000 (six months ended 30 June 2012: RMB8,864,000) for the acquisition of property, plant and equipment to update its manufacturing capabilities.

During the current period, the Group incurred approximately RMB5,613,000 (six months ended 30 June 2012: RMB4,539,000) of development expenditure for the development of congenital heart diseases business and peripheral vascular diseases business, which together with expenditure of RMB75,000 (six months ended 30 June 2012: RMB943,000) for purchase of intangible assets. The self-developed projects are under safety and effectiveness testing and expect to be commercialised in 1 year.

## 10. PREPAID LEASE PAYMENTS

During the current period, the Group spent approximately RMB38,131,000 for the acquisition of prepaid lease payments to expand its production capacity and office buildings located in Shenzhen.

## 11. INTEREST IN AN ASSOCIATE

|                                  | <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2012<br>RMB'000<br>(Audited) |
|----------------------------------|---|---|
| Cost of investments, unlisted    | <b>21,756</b>                                       | 21,678                                      |
| Share of post-acquisition losses | <b>(19,120)</b>                                     | (10,488)                                    |
|                                  | <b><u>2,636</u></b>                                 | <u>11,190</u>                               |

As at 30 June 2013 and 31 December 2012, the Group had interest in the following associate which were established by the Group and other shareholder:

| Name of entity                          | Proportion of<br>nominal value<br>of issued capital<br>held by<br>the Group | Place of<br>establishment/<br>operation        | Share capital | Principal activity   |
|---|---|--|---------------|--|
| Broncus Holding Corporation ("Broncus") | 40%   | Cayman Islands/<br>United States of<br>America | USD1,000      | Investment holding and<br>developing and<br>commercialising<br>solutions for<br>diagnosing and<br>treating lung diseases |

## 12. DEPOSITS FOR ACQUISITION OF LONG TERM INVESTMENT/INTANGIBLE ASSETS

The Group had entered into a strategic partnership agreement with an independent third party which manages and operates an investment fund on 12 April 2012 to enter into a long-term strategic alliance and equal partnership to collaborate across incubation projects over the period up to 12 April 2014. Deposits for acquisition of long term investment as at 31 December 2012 represented the consideration paid by the Group for the acquisition of options, on a priority basis, to invest or co-invest in any and/or all incubation projects and to acquire distribution rights, manufacturing rights and intellectual property licenses with respect to the incubation projects. The Group has the right to join and be a member of the investment committee of the investment fund. Further, the Group has the rights to request for all or a portion of the deposit to be converted to one or more incubation projects investments. The deposit is non-refundable. As at 30 June 2013, none of the deposit monies have been used by the investment fund on any incubation projects yet.

As at 30 June 2013, the deposits also include a deposit for acquisition of intangible assets of RMB12,600,000. On 28 March 2013, the Group advanced RMB12,600,000 to the same independent third party in order to obtain the priority for acquiring the exclusive distribution right to sell the designated products in the event of the successful of application of licenses of the designated products within a predetermined period as defined in the agreement. The deposit is refundable subject to the occurrence of specific events as defined in the agreement signed between the Company and the independent third party.

## 13. LOAN RECEIVABLE

On 28 April 2013, the Group and Shanghai Pudong Development Bank Shenzhen Branch (the “Lending Agent”) entered into the Entrusted Loan Agency Agreement, pursuant to which the Lending Agent agreed to act as the lending agent under the Entrusted Loan Agreement in return for an agency fee of 0.03% of the loan amount, subject to and upon the terms and conditions therein. On the same date, the Group entered into the Entrusted Loan Agreement with an independent third party (the “Borrower”) and the Lending Agent, pursuant to which the Group agreed to entrust the amount of RMB32,000,000 to the Lending Agent, for on-lending to the Borrower for a term of one year subject to the terms and conditions under the Entrusted Loan Agency Agreement. The loan receivable bears interests at 7% per annum, unsecured and is repayable on 28 April 2014. The Lending Agent has assessed the counterparty’s credit quality and the recoverability of this loan receivable. In the opinion of the directors of the Company, the Lending Agent is satisfied with the credit risks assessment on the Borrower and the lending arrangement is suitable for the risk acceptance level of the Group on the basis of the standard review procedures carried out by, and the judgment of, the Lending Agent. In the opinion of the Directors, the Borrower is of good credit quality based on Lending Agent's regular assessment of such loan and the absence of any default record in the past.





#### 14. 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.

|                | <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2012<br>RMB'000<br>(Audited) |
|----------------|---|---|
| 1 - 90 days    | <b>34,326</b>                                       | 31,265                                      |
| 91 - 180 days  | <b>6,696</b>  | 5,109                                       |
| 181 - 365 days | <b>1,301</b>  | 552   |
| Over 365 days  | <b>2,480</b>  | 2,548                                       |
|                | <b>44,803</b>                                       | 39,474                                      |

#### 15. TRADE AND OTHER PAYABLES

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

|               | <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2012<br>RMB'000<br>(Audited) |
|---------------|---|---|
| 0 - 30 days   | <b>2,183</b>  | 1,440                                       |
| 31 - 60 days  | <b>1,271</b>  | 440   |
| 61 - 120 days | <b>104</b>  | 178   |
| Over 120 days | <b>544</b>  | 508   |
|               | <b>4,102</b>  | 2,566                                       |

## 16. BANK BORROWINGS

Unsecured bank borrowings

Breakdown of the bank borrowings:

Fixed-rate borrowings

Floating-rate borrowings

**30 June  
2013  
(Unaudited)  
RMB'000**

**35,000**

**10,000**

**25,000**

**35,000**

At the end of reporting period, the ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

Fixed-rate borrowings

Floating-rate borrowings

**30 June  
2013  
(Unaudited)**

**6.16%**

**6.16% to 6.50%**

## 17. GOVERNMENT GRANTS

Government grants include subsidies in relation to the acquisition of plant and equipment and the research and development of medical devices. Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. During the six months ended 30 June 2013, approximately RMB1,327,000 and RMB500,000 subsidies relating to research and development of medical devices and the acquisition of plant and equipment, respectively, have been received (30 June 2012: RMB1,172,000 and RMB9,700,000). The Group recognised income of approximately RMB1,169,000 (30 June 2012: RMB1,601,000) during the period ended 30 June 2013. The current portion of government grants, which include subsidies in relation to research and development of medical devices that have not yet been recognised in profit or loss, are included in other payables. The non-current portion of government grants, which include subsidies in relation to the acquisition of plant and equipment that have not yet been recognised in profit or loss, are included in non-current liability.



## 18. CONVERTIBLE NOTES

On 30 January 2013, the Company issued Hong Kong dollars (“HK\$”)152,000,000 unsecured 1% convertible notes due 2018 (“Convertible Notes”). The Convertible Notes bear interest at 1% per annum and mature on 29 January 2018 (“Maturity Date”). The holder of the Convertible Notes has the right to convert the principal amount of Convertible Notes into shares of the Company at an initial conversion price of HK\$3.8 per share. The Company may not redeem the Convertible Notes at its option prior to the Maturity Date. The noteholder will have the right at noteholder’s option, to require the Company to redeem all, or only some, of the Convertible Notes prior to the Maturity Date at a price equal to their principal amount and interest accrued to the date fixed for redemption subject to the occurrence of specific events as defined in the terms and conditions of the Convertible Notes Agreement.

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

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

|                                       | <b>Liability<br/>component<br/>RMB'000</b> | Conversion<br>option<br>derivative<br>RMB'000 |
|---------------------------------------|--|---|
| At initial recognition                | <b>60,057</b>                              | 143,936                                       |
| Exchange realignment                  | <b>(1,144)</b>                             | (1,082)                                       |
| Interest charge                       | <b>4,128</b>                               | —   |
| Gain arising on changes of fair value | —  | (21,047)                                      |
| At 30 June 2013                       | <b><u>63,041</u></b>                       | <b><u>121,807</u></b>                         |

## 18. CONVERTIBLE NOTES - continued

The fair value of the conversion option derivative component of the Convertible Notes is estimated using a Binomial Option Pricing Model with the assumption of the movement of stock price of the Company and interest rates. The assumption adopted for the valuation of the conversion option derivative component of the Convertible Notes using Binomial Option Pricing Model as of 30 January 2013 and 30 June 2013 were as follows:

|                             | <b>30 June<br/>2013</b> | 30 January<br>2013 |
|-----------------------------|-------------------------|--------------------|
| Risk-free interest rate (i) | <b>0.726%</b>           | 0.573%             |
| Expected volatility (ii)    | <b>51.01%</b>           | 46.80%             |

Notes:

- (i) Risk-free interest rate was used by reference to Hong Kong Exchange Fund Note at the valuation date.
- (ii) Expected volatility was calculated by reference to annualised standard deviation of the continuously compounded rates of return on the daily average adjusted share price of the comparable companies.

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

## 19. SHARE CAPITAL

|   | <b>Number<br/>of shares</b> | <b>Amount<br/>USD</b>  |
|---|-----------------------------|--|
| <b>Ordinary shares</b>  |                             |  |
| Authorised:   |                             |  |
| At 1 January 2012, 30 June 2012, 31 December 2012<br>and 30 June 2013 at USD0.00001 each    | <u>5,000,000,000</u>        | <u>50,000</u>  |
|   |                             | <b>Shown in the<br/>condensed<br/>consolidated<br/>financial<br/>statements as</b> |
|   | <b>Number<br/>of shares</b> | <b>Amount<br/>USD</b>  |
|   |                             | <b>RMB'000</b>   |
| Issued and fully paid:  |                             |  |
| At 1 January 2012, 30 June 2012,<br>31 December 2012 and<br>30 June 2013 at USD0.00001 each | <u>500,000,000</u>          | <u>5,000</u>   |
|   |                             | <u>32</u>  |



## 20. OPERATING LEASES

### The Group as lessee

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

|  | <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2012<br>RMB'000<br>(Audited) |
|--|---|---|
| Within one year                        | <b>3,806</b>  | 4,344                                       |
| In the second to fifth years inclusive | <b>992</b>  | 816   |
|  | <b><u>4,798</u></b>                                 | <u>5,160</u>                                |

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

### The Group as lessor

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

|  | <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2012<br>RMB'000<br>(Audited) |
|--|---|---|
| Within one year                        | <b>1,166</b>  | 1,193                                       |
| In the second to fifth years inclusive | <b>385</b>  | 964   |
|  | <b><u>1,551</u></b>                                 | <u>2,157</u>                                |

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS - continued

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial assets/<br>financial liabilities   | Fair value as at           |                                | Fair value<br>hierarchy | Valuation technique(s)<br>and key input(s)   | Significant<br>unobservable<br>input(s) | Relationship<br>of unobservable<br>inputs to fair value        |
|--|----------------------------|--------------------------------|-------------------------|--|---|--|
|  | 30 June<br>2013<br>RMB'000 | 31 December<br>2012<br>RMB'000 |                         |  |   |  |
| Structured deposit classified<br>as financial asset in the<br>statement of financial position                            | N/A                        | Assets -<br>4,250              | Level 2                 | Discounted cash flow.<br>Market price of underlying<br>financial instruments,<br>including listed shares<br>and debentures.  | N/A                                     | N/A  |
| Conversion option derivative<br>liability classified as financial<br>liability in the statement<br>of financial position | Liabilities -<br>121,807   | N/A                            | Level 3                 | The Binomial Option Pricing<br>Model. The key inputs are<br>risk free rate for the yields<br>to maturity of respective<br>Hong Kong Exchange<br>Fund Note and volatility<br>of the share price from the<br>comparable companies. | Volatility<br>(Note)                    | The higher the<br>volatility,<br>the higher the<br>fair value. |

Note: If the volatility to the valuation model were 10% higher/lower while all the other variables were held constant, the carrying amount of the equity securities would increase/decrease by approximately RMB6,992,000 and RMB2,971,000 respectively.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

Details of reconciliation from the beginning balance to the ending balance of level 3 fair value measurement of financial liability regarding conversion option of Convertible Notes are set out in note 18. There were no transfers between the different levels of the fair value hierarchy for the period.



## 22. CAPITAL COMMITMENTS

Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the condensed consolidated financial statements

| <b>30 June<br/>2013<br/>RMB'000<br/>(Unaudited)</b> | 31 December<br>2012<br>RMB'000<br>(Audited) |
|---|---|
| <b>947</b>  | <b>1,285</b>                                |

## 23. RELATED PARTY DISCLOSURES

### (a) Transactions with related party

The Group had the following significant related party transaction during the period with Medtronic:

|                 | <b>Three months<br/>ended 30 June<br/>2013<br/>(Unaudited)<br/>RMB'000</b> | Six months<br>ended 30 June<br>2013<br>(Unaudited)<br>RMB'000 |
|-----------------|--|---|
| Royalty expense | <b>510</b>   | 718   |
| Service expense | <b>2,332</b>   | <b>4,688</b>  |

### (b) Amount due from (to) a shareholder

The amount was due from a shareholder and it is non-trading in nature, unsecured, interest-free and was repayable on demand.

|           | <b>30 June<br/>2013<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2012<br>(Audited)<br>RMB'000 |
|-----------|---|---|
| Medtronic | <b>1,545</b>  | —   |

The amount was due to a shareholder and it is non-trading in nature, unsecured, interest-free and was repayable on demand.

|           | <b>30 June<br/>2013<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2012<br>(Audited)<br>RMB'000 |
|-----------|---|---|
| Medtronic | <b>718</b>  | —   |

## 23. RELATED PARTY DISCLOSURES - continued

### (c) Amount due from an associate

The amount was due from an associate and it is non-trading in nature, unsecured, interest-free and repayable on demand.

|         | <b>30 June<br/>2013<br/>(Unaudited)<br/>RMB'000</b> | 31 December<br>2012<br>(Audited)<br>RMB'000 |
|---------|---|---|
| Broncus | <b>3,089</b>  | —   |

### (d) Compensation of key management personnel

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

|                              | <b>Three months ended<br/>30 June</b>   |                                | <b>Six months ended<br/>30 June</b>     |                                |
|------------------------------|---|--------------------------------|---|--------------------------------|
|                              | <b>2013<br/>RMB'000<br/>(Unaudited)</b> | 2012<br>RMB'000<br>(Unaudited) | <b>2013<br/>RMB'000<br/>(Unaudited)</b> | 2012<br>RMB'000<br>(Unaudited) |
| Short-term employee benefits | <b>674</b>                              | 628                            | <b>1,351</b>                            | 1,255                          |
| Post employee benefits       | <b>37</b>                               | 18                             | <b>74</b>                               | 36                             |
|                              | <b>711</b>                              | 646                            | <b>1,425</b>                            | 1,291                          |

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





## 24. CONTINGENT LIABILITIES

The Group is currently involved in a litigation in India. In 2008, a company (the “Plaintiff”) filed a suit with The High Court of New Delhi (the “Court”) at New Delhi, India, against (i) Lifetech Scientific (Shenzhen) Co., Ltd. (“Lifetech Shenzhen”), (ii) Lifetech Shenzhen’s importer in India; and (iii) such importer’s local Indian distributor (individually and collectively referred to as “Defendants”). The Plaintiff pleaded to the Court to issue a permanent injunction restraining the Defendants from importing and selling HeartR occluders in India which were accused of infringing the Plaintiff’s patent. The Plaintiff also pleaded to order the national importer in India and its local Indian distributor to surrender all the rendition of accounts of profits or a decree of damages of Indian Rupee (“INR”) 2,100,000 (equivalent to approximately RMB218,000). As at 30 June 2013 and up to the date of the issue of these condensed consolidated financial statements, the cross-examination of all of the witnesses of the Plaintiff and first witness of Lifetech Shenzhen were completed. The Court has directed that the cross-examination of the second witness must be concluded by 18 September 2013, and that the entire report on the record of evidence must be placed before the Court on 25 September 2013, according to the order dated 11 July 2013. On 31 July 2013, the Court has directed that the cross-examination of the second witness will be conducted by 18 September 2013.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

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

#### Congenital heart diseases business

The turnover contributed by the congenital heart diseases business for the six months ended 30 June 2013 was approximately RMB53.5 million (corresponding period in 2012: approximately RMB49.2 million), representing approximately an 8.7% increase as compared to the corresponding period in 2012.

#### Peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the six months ended 30 June 2013 was approximately RMB55.0 million (corresponding period in 2012: approximately RMB39.5 million), representing approximately a 39.2% increase as compared to the corresponding period in 2012.

#### Surgical vascular repair business

The turnover contributed by the surgical vascular repair business for the six months ended 30 June 2013 was approximately RMB201,000 (corresponding period in 2012: approximately RMB182,000), representing approximately a 10.4% increase as compared to the corresponding period in 2012.

We kept rapid growth in the China market, and sales generated from the market accounted for approximately 73.7% of our total revenue for the six months ended at 30 June 2013 (corresponding period in 2012: approximately 74.8%). Our domestic sales realized approximately a 20.5% growth for the six months ended 30 June 2013 as compared to the last corresponding period while our international market realized approximately a 27.5% growth in sales revenue as compared to the last corresponding period. The increase in revenue was mainly attributable to the growth of sales volume of our primary products along with the expansion of our sales network. In this period, we established a subsidiary in Slovakia to further expand our overseas market. Our international sales force is strengthened to accelerate the development of sales network in the respective regions. In addition, we have conducted a successful workshop on our VSD product in one of our training centers in India, and it is hoped that our sales in VSD will have positive changes there in future. In the field of R&D, our product Lawmax dilator has obtained the FDA approval and the product LungPoint® from Broncus Holding Corporation has been approved to be sold in Hong Kong.



## FINANCIAL REVIEW

Summary of the results of the Group for the six months ended 30 June 2013 and the corresponding period in 2012 are as follows:

- Total turnover was approximately RMB108.7 million (corresponding period in 2012: approximately RMB88.9 million), representing approximately a 22.3% increase as compared to the corresponding period in 2012. The increase was primarily attributable to an increase of approximately RMB15.5 million in revenue from the peripheral vascular diseases business segment.
- Gross profit was approximately RMB90.1 million (corresponding period in 2012: approximately RMB71.2 million), representing approximately a 26.5% increase as compared to the corresponding period in 2012. The increase was primarily attributable to the increase in revenue.
- The operating profit before tax and change in fair value of convertible notes was approximately RMB15.2 million (corresponding period in 2012: approximately RMB27.1 million), representing approximately a decrease of 43.9% as compared to the corresponding period in 2012. The decrease was primarily due to share of loss of associate amounting to approximately RMB8.6 million and the finance cost amounting to approximately RMB4.1 million generated by convertible bond issued to Medtronic Inc (“Medtronic”) during the first half year of 2013.
- Net loss attributable to owners of the Company was approximately RMB56.0 million (corresponding period in 2012: profit amounting to approximately RMB21.9 million), primarily due to the record of change in fair value of convertible notes of approximately RMB64.0 million, finance cost arising from the convertible notes amounting to approximately RMB4.1 million and the share of loss of Broncus amounting to approximately RMB8.6 million for the six months ended 30 June 2013. For illustrative purposes, with the exclusion of the change in fair value of convertible notes, the Company would have recorded profit attributable to owners of the Company of approximately RMB8.0 million for the six months ended 30 June 2013, representing a decrease of approximately 63.5% as compared with the corresponding period in 2012.

## LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2013, the Group mainly financed its operations with its own working capital, bank borrowings, proceeds on issue of convertible notes and equity funding.

As at 30 June 2013, the Group had net current assets of approximately RMB313.2 million (31 December 2012: approximately RMB235.6 million), including cash and bank balances of approximately RMB273.9 million (31 December 2012: approximately RMB198.4 million).

## GEARING RATIO

As at 30 June 2013, the gearing ratio (calculated as a ratio of total borrowings consisting of convertible notes and bank borrowings to total equity) of the Group is approximately 40%. (31 December 2012: nil).

## **CAPITAL STRUCTURE**

Total equity attributable to equity holders of the Company amounted to approximately RMB241.0 million as at 30 June 2013 compared to approximately RMB296.6 million as at 31 December 2012. There is a short-term borrowing amounting to approximately RMB35.0 million as at 30 June 2013 (31 December 2012: nil). The interest of bank borrowings amounting to approximately RMB159,040 was expensed for the six months ended 30 June 2013 (corresponding period in 2012: nil)

## **LAND ACQUISITION**

On 19 February 2013, Lifetech Shenzhen made a successful bid for the land use right in respect of the land located at lot T205-008, Gaoxin South 1st Road, Nanshan Gaoxin District, Shenzhen, the PRC (the “Land”) at a price of RMB37,020,000 (equivalent to approximately HK\$45,697,000) through an open tender organized by the Shenzhen Land Transaction Centre. For further details, please refer to announcement of the Company dated 5 July 2013. The deed tax arising from the land acquisition amounts to approximately RMB1.1 million.

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

The Group is currently involved in a lawsuit issue in India. AGA Medical Corporation (“AGA”) filed a suit with the High Court of New Delhi (the “Court”) against our companies, alleging that our occluders sold in India infringed its patent. For details, please refer to the section headed “Risk Factors-Risk Related to Intellectual Property Rights” in the IPO prospectus of the Company (the “Prospectus”). As at 30 June 2013 and up to the date of the issue of this interim report, the cross-examination of all of the witnesses of the Plaintiff and first witness of Lifetech Shenzhen were completed. The Court has directed that the cross-examination of the second witness must be concluded by 18 September 2013, and that the entire report on the record of evidence must be placed before the Court on 25 September 2013, according to the order dated 11 July 2013. On 31 July 2013, the Court has directed that the cross-examination of the second witness will be conducted by 18 September 2013. After seeking legal advice, the Board is of the opinion that it is not probable that the Court will grant a permanent injunction to the plaintiff and it is also not probable for the Court to award damages to the plaintiff or direct delivery of infringing devices. Accordingly, the Board considers that no provision is necessary for any potential liability in the consolidated financial statements.

Save as disclosed in this report, the Group did not have any other contingent liabilities as of 30 June 2013.

## **FOREIGN EXCHANGE RISK**

During the period, the Group’s operations are primarily based in the PRC and India. The revenue derived from India accounted for approximately 8.7% (corresponding period in 2012: approximately 10.3%) 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 six months ended 30 June 2013, 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 period.



## CHARGES ON GROUP ASSETS

As at 30 June 2013, the Group did not have any charges on its assets.

## LOAN TRANSACTION

On 28 April 2013, Lifetech Shenzhen and Shanghai Pudong Development Bank Shenzhen Branch (the “Lending Agent”) entered into the entrusted loan agency agreement, pursuant to which the Lending Agent agreed to act as the lending agent under the entrusted loan agreement (the “Loan Agreement”) in return for an agency fee of 0.03% of the loan amount of RMB32.0 million (the “Loan”), subject to and upon the terms and conditions in the announcement of the Company dated on 12 July 2013. On the same date, Lifetech Shenzhen entered into the Loan Agreement with an independent third party (the “Borrower”) and the Lending Agent, pursuant to which Lifetech Shenzhen agreed to entrust the Loan amount of RMB32.0 million (equivalent to approximately HK\$40.0 million) to the Lending Agent, with interest rate of 7% per annum on the Loan amount, for on-lending to the Borrower for a term of one year subject to the terms and conditions under the Loan Agreement. For further details, please refer to the announcement of the Company dated 12 July 2013.

## EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2013, the Group had 491 (corresponding period in 2012: 449) full time employees (including directors). Total staff costs, including Directors’ emoluments, amounted to approximately RMB24.2 million for six months ended 30 June 2013 (corresponding period in 2012: approximately RMB20.9 million). In respect of retirement benefit scheme, the defined contribution plan is adopted by the Group. The amount of contributions to retirement benefits scheme for the six months ended 30 June 2013 is approximately RMB1.9 million (corresponding period in 2012: approximately RMB1.2 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.

## BUSINESS OUTLOOK AND PROSPECTS

The Group will continue to rely on its two core businesses, namely congenital heart diseases business and peripheral vascular diseases business, as growth drivers in the year of 2013. The Group will also actively expand its product offering and strengthen its established market position.

In the next half year, we will run a post-market CeraFlex registry in Europe to exploit the relationship with our distributors, and carry on promoting CeraFlex, Cera, Fustar and Vascular Plug products in the global market. And with these efforts we expect to achieve a sales growth in the second half of 2013. In addition, we have expanded our markets in Eastern Europe, Latin America, Middle East, and our products are getting traction among new distributors in Europe. In addition, we have also expanded our network in the North Eastern states of India, where we will start the awareness programmes in September 2013. These markets together with the North Indian markets are expected to generate more business for the Group in the coming years.

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.

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

The net proceeds from the Company's issue of new shares at the time of its listing in November 2011, after deduction of related expenses, amounted to approximately HK\$156.6 million. During the six months ended 30 June 2013, the net proceeds from issuance of new shares of the Company had been applied as follows:

|  | <b>Planned use<br/>of proceeds<br/>as stated in the<br/>Prospectus<br/>from Listing to<br/>30 June 2013<br/>(HK\$ million)</b> | <b>Actual use of<br/>proceeds from<br/>Listing to<br/>30 June 2013<br/>(HK\$ million)</b> |
|--|--|---|
| 1 Enhance market position of core cardiovascular and peripheral vascular devices in key emerging markets                                 | 6.4  | 6.1   |
| 2 Continue to develop and commercialize pipeline products  | 34.0   | 34.0  |
| 3 Expansion into key international markets with current and pipeline products  | 6.4  | 6.1   |
| 4 Expansion of our manufacturing facilities  | 88.0   | <i>(Note 1)</i> 47.0  |
| 5 Expansion into complementary product offers and pursue opportunistic acquisitions, partnerships, alliances and licensing opportunities | <i>(Note 2)</i> 10.0   | 9.5   |

*Note 1* On 19 February 2013, Lifetech Shenzhen made a successful bid for the land use right in respect of the Land located in Nanshan District, Shenzhen, the PRC at a price of RMB37,020,000 (equivalent to approximately HK\$45,697,000) through an open tender organized by the Shenzhen Land Transaction Centre. The deed tax arising from the land acquisition amounts to approximately RMB1.1 million.

*Note 2* This represents the amount allocatable to any of the period from November 2011 to 31 December 2013.

The net proceeds applied, as at 30 June 2013 are less than expected primarily due to delayed acquisition of land in Nanshan District.

The unused proceeds have been placed in interest bearing deposit accounts maintained with banks in Hong Kong and mainland China.



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

As at 30 June 2013, the interests and short positions of Directors and chief executives of the Company in the shares and underlying shares 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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests which they are taken or deemed to have under such provisions of the SFO) and required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

### (a) Long position in ordinary shares and underlying shares of the Company ("Shares")

| Name of Director                | Nature of interest                                   | Number of shares | Position | Percentage of the Company's issued share capital |
|---------------------------------|--|------------------|----------|--|
| XIE Yuehui ("Mr. XIE")          | Interest of controlled corporation ( <i>Note 1</i> ) | 98,739,366       | Long     | 19.75%   |
| WU Jianhui ("Mr. WU")           | Interest of controlled corporation ( <i>Note 2</i> ) | 79,683,332       | Long     | 15.94%   |
| ZHAO Yiwei Michael ("Mr. ZHAO") | Interest of controlled corporation ( <i>Note 3</i> ) | 13,583,333       | Long     | 2.72%  |

*Note 1:* These shares are held through Xianjian Advanced Technology Limited, a company wholly owned by Mr. XIE, the chairman and executive director of our Company.

*Note 2:* These shares are held through GE Asia Pacific Investments, Ltd., a company wholly owned by Mr. WU, a non-executive director of our Company.

*Note 3:* These shares are held through St. Christopher Investment Ltd., a company wholly owned by Mr. ZHAO, the chief executive officer and executive director of our Company.

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

As at 30 June 2013, other than the interests of a director or chief executive of the Company as disclosed under the heading "Directors' and chief executives' interests and short position in the shares, underlying shares and debentures" above, the interests and short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

### (a) Long positions in the Company

| Name of Shareholder                              | Number of shares | Position | Capacity                           | Percentage of the Company's issued share capital |
|--|------------------|----------|------------------------------------|--|
| Xianjian Advanced Technology Limited             | 98,739,366       | Long     | Beneficial owner                   | 19.75%   |
| GE Asia Pacific Investments Ltd.                 | 79,683,332       | Long     | Beneficial owner                   | 15.94%   |
| Prosperity International<br>(Note 1)             | 57,500,000       | Long     | Beneficial owner                   | 11.50%   |
| Yi Xiqun (Note 1)                                | 61,556,000       | Long     | Interest of controlled corporation | 12.31%   |
| Yu Fan (Note 1)                                  | 61,556,000       | Long     | Interest of controlled corporation | 12.31%   |
| Themes Investment Partners II, GP. L.P. (Note 1) | 61,556,000       | Long     | Interest of controlled corporation | 12.31%   |
| Themes Investment Partners II, L.P. (Note 1)     | 61,556,000       | Long     | Interest of controlled corporation | 12.31%   |
| TIP II General Partner Limited (Note 1)          | 61,556,000       | Long     | Interest of controlled corporation | 12.31%   |
| Ally Investment Holdings Limited (Note 1)        | 57,500,000       | Long     | Interest of controlled corporation | 11.50%   |
| Wanhui Limited (Note 1)                          | 57,500,000       | Long     | Interest of controlled corporation | 11.50%   |
| Medtronic KL Holdings LLC<br>(Note 2)            | 95,000,000       | Long     | Beneficial owner                   | 19.00%   |






| <b>Name of Shareholder</b>                               | <b>Number of shares</b> | <b>Position</b> | <b>Capacity</b>                    | <b>Percentage of the Company's issued share capital</b> |
|--|-------------------------|-----------------|------------------------------------|---|
| Medtronic B.V. <i>(Note 2)</i>                           | 95,000,000              | Long            | Interest of controlled corporation | 19.00%  |
| Medtronic Holding Switzerland G.m.b.H. <i>(Note 2)</i>   | 95,000,000              | Long            | Interest of controlled corporation | 19.00%  |
| Medtronic International Technology, Inc. <i>(Note 2)</i> | 95,000,000              | Long            | Interest of controlled corporation | 19.00%  |
| Medtronic, Inc. <i>(Note 2)</i>                          | 95,000,000              | Long            | Interest of controlled corporation | 19.00%  |

*Note 1:* These Shares are held by Prosperity International, which is controlled by Themes Investment Partners II, L.P., which is managed by TIP II General Partner Limited and Themes Investment Partners II GP. L.P.. TIP II General Partner Limited is controlled by Wanhui Limited as to 54% and Ally Investment Holdings Limited as to 41%. Wanhui Limited is wholly-owned by Yi Xiqun and Ally Investment Holdings Limited is wholly-owned by Yu Fan.

*Note 2:* These Shares are held by Medtronic KL Holdings LLC, which is wholly-owned by Medtronic Holding Switzerland G.m.b.H., which in turn is wholly-owned by Medtronic B.V.. Medtronic B.V. is wholly-owned by Medtronic International Technology, Inc., which is controlled as to 90.33% by Medtronic, Inc.

(b) Derivative interests

| Name of Shareholder  | Number of underlying shares | Position | Capacity                           | Percentage of the Company's issued share capital |
|--|-----------------------------|----------|------------------------------------|--|
| Prosperity International <i>(Note 1)</i>                       | 24,900,000                  | Long     | Beneficial owner                   | 4.98%  |
| Themes Investment Partners II GP. L.P. <i>(Note 1)</i>         | 24,900,000                  | Long     | Interest of controlled corporation | 4.98%  |
| Themes Investment Partners II, L.P. <i>(Note 1)</i>            | 24,900,000                  | Long     | Interest of controlled corporation | 4.98%  |
| TIP II General Partner Limited <i>(Note 1)</i>                 | 24,900,000                  | Long     | Interest of controlled corporation | 4.98%  |
| Yi Xiqun <i>(Note 1)</i>                                       | 24,900,000                  | Long     | Interest of controlled corporation | 4.98%  |
| Yu Fan <i>(Note 1)</i>   | 24,900,000                  | Long     | Interest of controlled corporation | 4.98%  |
| Ally Investment Holdings Limited <i>(Note 1)</i>               | 24,900,000                  | Long     | Interest of controlled corporation | 4.98%  |
| Wanhui Limited <i>(Note 1)</i>                                 | 24,900,000                  | Long     | Interest of controlled corporation | 4.98%  |
| Medtronic KL Holdings LLC <i>(Note 2 and 3)</i>                | 378,571,429                 | Long     | Beneficial owner                   | 75.71%   |
| Medtronic B.V. <i>(Note 2 and 3)</i>                           | 378,571,429                 | Long     | Interest of controlled corporation | 75.71%   |
| Medtronic Holding Switzerland G.m.b.H. <i>(Note 2 and 3)</i>   | 378,571,429                 | Long     | Interest of controlled corporation | 75.71%   |
| Medtronic International Technology, Inc. <i>(Note 2 and 3)</i> | 378,571,429                 | Long     | Interest of controlled corporation | 75.71%   |
| Medtronic, Inc. <i>(Note 2 and 3)</i>                          | 378,571,429                 | Long     | Interest of controlled corporation | 75.71%   |



*Note 1:* These Shares are held by Prosperity International, which is controlled by Themes Investment Partners II, L.P., which is managed by TIP II General Partner Limited and Themes Investment Partners II GP. L.P.. TIP II General Partner Limited is controlled by Wanhui Limited as to 54% and Ally Investment Holdings Limited as to 41%. Wanhui Limited is wholly-owned by Yi Xiqun and Ally Investment Holdings Limited is wholly-owned by Yu Fan.

*Note 2:* These Shares are held by Medtronic KL Holdings LLC, which is wholly-owned by Medtronic Holding Switzerland G.m.b.H., which in turn is wholly-owned by Medtronic B.V.. Medtronic B.V. is wholly-owned by Medtronic International Technology, Inc., which is controlled as to 90.33% by Medtronic, Inc.

*Note 3:* Capitalised terms used in this paragraph shall have the same meanings as those defined in the circular of the Company dated 6 January 2013. These Shares are the underlying Shares to be issued upon the full conversion of the First Tranche Convertible Notes and the Second Tranche Convertible Notes pursuant to the terms and conditions under the Investment Agreement dated 14 October 2012. Completion of the subscription of the First Tranche Convertible Notes at the principal amount of HK\$152 million, which are convertible into 40,000,000 new Shares at the conversion price of HK\$3.80, took place on 30 January 2013. As at the date of this report, the Company has not been notified by the noteholder of its intention to convert the First Tranche Convertible Notes, and the subscription of the Second Tranche Convertible Notes is pending to be completed.

Save as disclosed above, as at 30 June 2013, the directors of the Company were not aware of 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.

#### **SHARE OPTION SCHEME**

The Company has not granted or issued any option up to 30 June 2013.

#### **INTERIM DIVIDEND**

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2013.

#### **DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Apart from the details as disclosed under the heading "Directors' and chief executives' interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the six months ended 30 June 2013 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

During the six months ended 30 June 2013, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## INTERESTS OF THE COMPLIANCE ADVISER

As notified by First Shanghai Capital Limited (“FSCL”), the Company’s compliance adviser, 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) as at 30 June 2013.

## DIRECTOR’S INTERESTS IN COMPETING INTERESTS

During the six months ended 30 June 2013 and save as disclosed in the annual report of 2012, the Directors were not aware of any business or interest of the Directors or the management shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) 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.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors’ securities transactions on terms set out in Rules 5.48 to 5.67 of the GEM Listing Rules regarding the directors’ securities transactions in securities of the Company. 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 30 June 2013.

## CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interest of its shareholders and enhance its corporate value. The Company’s corporate governance practices are based on the principles, code provisions and certain recommended best practices as set out in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 in the GEM Listing Rules (the “CG Code”). Save as disclosed, throughout the six months ended 30 June 2013, the Company has complied with the CG code.

In July 2013, the Board identified two non-compliant incidents and discovered that the Company was unable to publish announcement for two discloseable transactions in a timely manner as required under the GEM Listing Rules due to inadvertent oversight. For details, please refer to the announcements of the Company dated 5 July 2013 and 12 July 2013. The Board intends to improve its internal control measures, and implemented the Company’s disclosure improvement procedures recently as a remedial measure by taking the following steps:

- (i) The Company has appointed Mr. Liu Jianxiong, Company Secretary and Chief Financial Officer, and Ms. Floret Hu, Financial Reporting Manager of the Company to be the Company’s internal compliance coordinators (the “Internal Compliance Coordinators”), who will ensure that all future transactions entered into by the Company or any member of the Group which are subject to any announcement requirements under the GEM Listing Rules will be disclosed on a timely basis.



- (ii) The Company will determine a threshold contract amount (the “Threshold”) for a potential transaction with reference to the latest published financial statements of the Company. The Threshold will be set in the manner in which if exceeded, the potential transaction is likely to be classified as a notifiable or connected transaction under GEM Listing Rules. The Threshold will be updated after the publication of the Company’s interim and financial results each year, and the Internal Compliance Coordinators will inform every member of the Board the pre-set Threshold on a periodic basis. When the Company or any member of the Group intends to enter into a transaction that may exceed the Threshold, both of the Internal Compliance Coordinators must be informed of the timetable and the progress of the transaction, and they will consult with the Company’s compliance adviser and independent legal advisers on the Company’s disclosure obligations under GEM Listing Rules before approving the transaction. The Internal Compliance Coordinators are also responsible to report to Mr. Zhao Yiwei Michael, the Compliance Officer of the Company on potential compliance issues, who will in turn advise the Board accordingly (“Threshold Reporting System”).
- (iii) The Company will arrange training sessions for the Directors, senior management members and Internal Compliance Coordinators on disclosure obligations and transactions which are likely to be notifiable and connected transactions under GEM Listing Rules as well as introducing and explaining the Threshold Reporting System. The training sessions will be given by the Company’s independent Hong Kong legal advisers on a regular basis.
- (iv) Mr. Xie Yuehui, chairman of the Board, will raise the disclosure issue in the upcoming Board meeting so as to raise the level of compliance awareness among his fellow Board members. He will also urge them to look out for any future transactions that may have disclosure implications under the GEM Listing Rules.

With the new measures implemented, the Board is confident that all transactions which are required to be disclosed under the GEM Listing Rules will be processed and announced properly in the future.

## ACHIEVEMENT OF BUSINESS OBJECTIVES

With reference to the disclosures in the IPO prospectus of the Company, the achievement of our business objectives as at 30 June 2013.

### Business objectives for the period from 1 January 2013 to 30 June 2013

### Actual business progress up to 30 June 2013

#### Enhance Market Position of Core Cardiovascular and Peripheral Vascular Devices in Key Emerging Markets

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

In the first half year, we expand our sales force in several provinces domestically in China and in India.

We will increase the number of training centers.

We increased the number of training centers in Belgium, China, India and Russia.

We will increase our investments in patient awareness programs.

We attended the patient awareness programs and industry tradeshow with greater visibility and made our website more user-friendly to appeal to doctors and to increase patient awareness.

We will commercially launch vena cava filter and stent graft in Mexico, Argentina, Vietnam and Iran.

In the first half year, we launched vena cava filter in Argentina and stent graft was launched in Vietnam.

#### Continue to Develop and Commercialize Pipeline Products

We will commercially launch PFO in India and Russia.

The PFO has not been launched in India and Russia because the product registration has not been obtained.

We will launch PTA/PTCA drug eluting balloons in Russia.

We are still in the process of product design and development phase for PTA and PTCA drug-eluting balloons.

We will submit for CE certification for PTA/PTCA drug eluting balloons.

We are still in the process of product design and development phase for PTA and PTCA drug-eluting balloons.

We will continue clinical trial work for LAA occluders.

We have continued with clinical studies for LAA occluders in China and Europe.



**Business objectives for the period from 1 January 2013 to 30 June 2013**

**Actual business progress up to 30 June 2013**

**Expansion into Key International Markets with Current and Pipeline Products**

We will continue to expand our sales force in Europe.

We are increasing our direct presence as well as marketing presence through our distributors in Europe.

We will expand our distribution network to cover additional key international markets.

We are expanding in Europe, Latin America, Middle East and South Eastern Asia/Pacific Rim.

We will establish a European customer service center in Holland.

The European customer service center is in development and should be launched in the second half year of 2013.

We will commercially launch CeraFlex occluders in Canada.

We have not yet established our sales network and the product approval has not yet been obtained in Canada.

We will commercially launch vena cava filter and stent graft in Australia and Taiwan.

The program has been postponed because the registration of stent graft has not yet been obtained and the sales network is under establishing.

**Expansion into Complementary Product Offerings**

We will continue clinical study on peripheral stent.

We are preparing for the clinical study on peripheral stent in China.

We will start clinical trial work on bronchial valve.

The projects are being delayed since they are in the progress of reassessment.

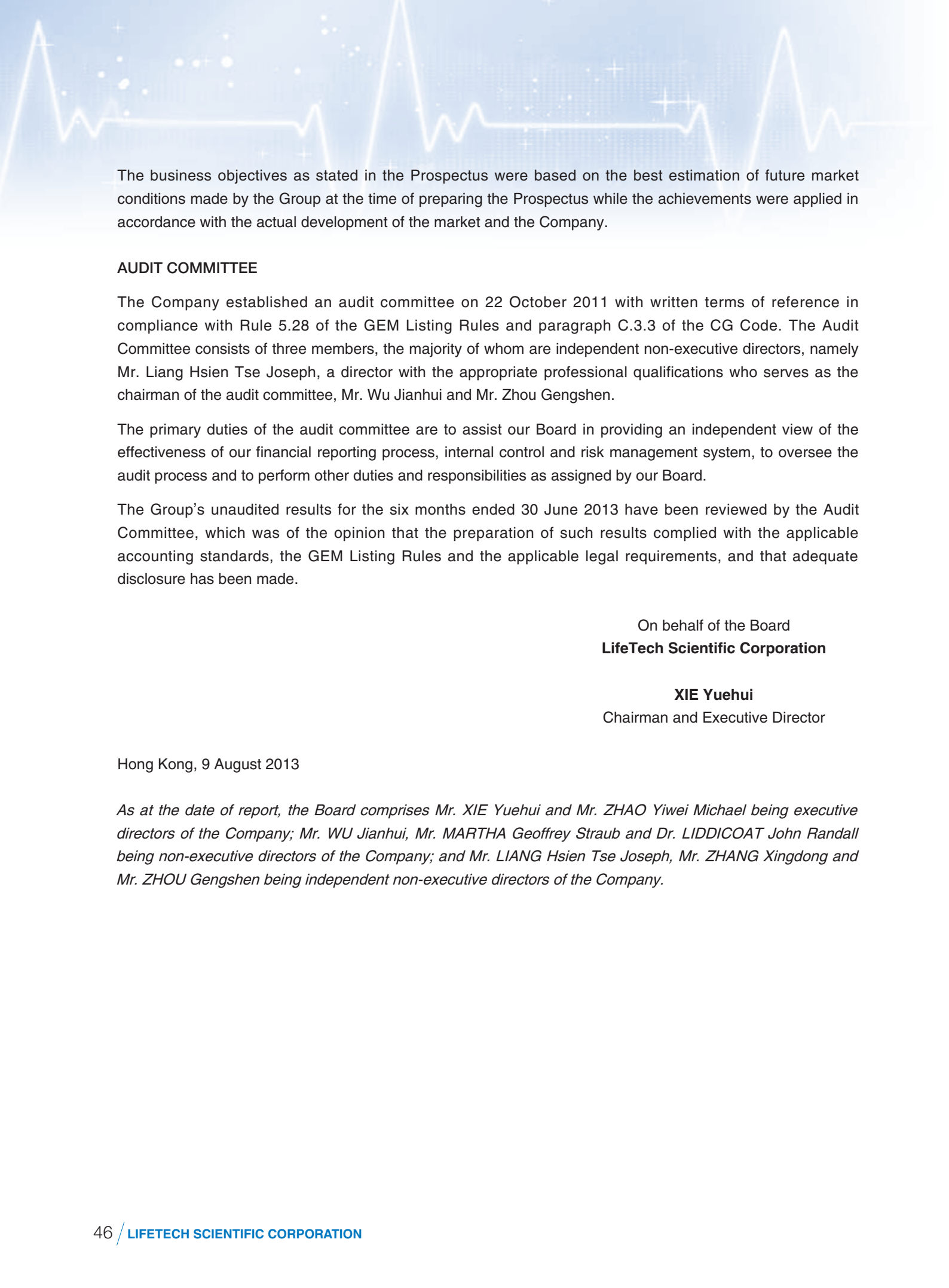
We will complete animal study on absorbable occluders.

We are in the process of animal study on absorbable occluders.

**Pursue Opportunistic Acquisitions, Partnerships, Alliances and Licensing Opportunities**

We will evaluate and explore acquisitions, partnerships, alliances and licensing opportunities.

We obtained the priority of the exclusive distribution right to sell the designated products authorized by Shanghai Biomedical Enterprise, LLC.



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.

#### **AUDIT COMMITTEE**

The Company established an audit committee on 22 October 2011 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C.3.3 of the CG Code. The Audit Committee consists of three members, the majority of whom are independent non-executive directors, namely Mr. Liang Hsien Tse Joseph, a director with the appropriate professional qualifications who serves as the chairman of the audit committee, Mr. Wu Jianhui and Mr. Zhou Gengshen.

The primary duties of the audit committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

The Group's unaudited results for the six months ended 30 June 2013 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and the applicable legal requirements, and that adequate disclosure has been made.

On behalf of the Board  
**LifeTech Scientific Corporation**

**XIE Yuehui**  
Chairman and Executive Director

Hong Kong, 9 August 2013

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