

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



LifeTech Scientific Corporation
先健科技公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1302)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Affected by the COVID-19 epidemic, the revenue of the Group was approximately RMB642.3 million for the year ended 31 December 2020 as compared to approximately RMB668.9 million for the corresponding period of 2019, representing a slight decrease of approximately 4.0%. The decrease was mainly due to the decrease of revenue from HeartR occluders, Cera occluders and LAmbre™ LAA occluder.
- Gross profit was approximately RMB513.1 million for the year 2020 as compared to approximately RMB534.8 million for the corresponding period of 2019, representing a decrease of approximately 4.1%.
- Net profit attributable to owners of the Company was approximately RMB216.1 million for the year ended 31 December 2020 as compared to approximately RMB129.2 million for the corresponding period of 2019, representing an increase of approximately 67.3%. The increase was primarily attributable to (i) the increase of other gains generated by gain from changes in fair value of financial assets at fair value through profit or loss ("FVTPL"); and (ii) the increase of other gains generated by investment income from financial assets at FVTPL. Both increases were in relation to our investments in ABG-Grail Limited and Ally Bridge Group Innovation Capital Partners III, L.P..
- The Board does not recommend payment of final dividend for the year ended 31 December 2020 (2019: nil).

ANNUAL RESULTS

The board (the "Board") of directors (the "Directors") of LifeTech Scientific Corporation (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020, together with the comparative figures for the corresponding period of 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Revenue	3	642,299	668,879
Cost of sales		<u>(129,154)</u>	<u>(134,059)</u>
Gross profit		513,145	534,820
Other income, expenses, gains and losses	4	246,906	94,254
Impairment losses under expected credit loss model, net of reversal		(7,808)	(344)
Selling and distribution expenses		(216,373)	(166,468)
Administration expenses		(104,107)	(132,395)
Research and development expenses		<u>(167,274)</u>	<u>(141,112)</u>
Operating profit		<u>264,489</u>	<u>188,755</u>
Finance cost, net	5	(19,043)	(17,881)
Share of results of associates		<u>(2,822)</u>	<u>(63)</u>
Profit before tax	6	242,624	170,811
Income tax expense	7	<u>(35,581)</u>	<u>(43,647)</u>
Profit for the year		<u>207,043</u>	<u>127,164</u>
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>1,037</u>	<u>11</u>
Total comprehensive income for the year		<u>208,080</u>	<u>127,175</u>
Profit (loss) for the year attributable to:			
Owners of the Company		216,085	129,200
Non-controlling interests		<u>(9,042)</u>	<u>(2,036)</u>
		<u>207,043</u>	<u>127,164</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		217,122	129,211
Non-controlling interests		<u>(9,042)</u>	<u>(2,036)</u>
		<u>208,080</u>	<u>127,175</u>
Earnings per share	9		
– Basic		RMB5.0 cents	RMB3.1 cents
– Diluted		<u>RMB4.9 cents</u>	<u>RMB3.1 cents</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current assets			
Property, plant and equipment		414,262	366,373
Right-of-use assets	10	69,259	81,810
Investment properties		148,197	150,187
Intangible assets	11	304,903	258,912
Interests in associates	12	12,729	3,437
Financial assets at FVTPL	13	358,298	179,888
Deposits for acquisition of property, plant and equipment/right-of-use assets		16,159	3,518
Deferred tax assets		35,896	32,300
Fixed bank deposit		50,000	—
Pledged bank deposits		—	90,000
		1,409,703	1,166,425
Current assets			
Inventories		99,623	99,125
Trade receivables	14	107,135	72,549
Other receivables and prepayments	15	87,413	85,100
Fixed bank deposits		170,992	50,000
Pledged bank deposits		108,000	—
Bank balances and cash		971,683	299,027
		1,544,846	605,801
Current liabilities			
Trade and other payables	16	265,046	173,164
Contract liabilities		14,216	5,408
Tax payables		33,031	37,573
Lease liabilities	19	6,846	11,660
Bank borrowings	17	174,462	113,418
		493,601	341,223
Net current assets		1,051,245	264,578
Total assets less current liabilities		2,460,948	1,431,003

	NOTES	31 December 2020 RMB'000	31 December 2019 RMB'000
Non-current liabilities			
Government grants		30,285	40,968
Lease liabilities	19	4,673	11,526
Bank borrowings	17	—	216,847
Financial liabilities at FVTPL	18	67,500	—
		<u>102,458</u>	<u>269,341</u>
Net assets		<u>2,358,490</u>	<u>1,161,662</u>
Capital and reserves			
Share capital	20	37	35
Reserves		<u>2,340,108</u>	<u>1,151,977</u>
Equity attributable to owners of the Company		<u>2,340,145</u>	<u>1,152,012</u>
Non-controlling interests		<u>18,345</u>	<u>9,650</u>
Total equity		<u>2,358,490</u>	<u>1,161,662</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of the Group are development, manufacture and trading of advanced interventional medical devices for cardiovascular and peripheral vascular diseases and disorders.

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

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

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

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

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to IFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to IFRS 3	Reference to the Conceptual Framework ²
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to IAS 8	Definition of Accounting Estimates ¹
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018 - 2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

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

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

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

Amendment to IFRS 16 Covid-19-Related Rent Concessions

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

A. For the year ended 31 December 2020

Disaggregation of revenue from contracts with customers

Segments	For the year ended 31 December 2020		
	Structural	Peripheral	Cardiac
	heart	vascular	pacing and
	diseases	diseases	electrophysiology
	business	business	business
	RMB'000	RMB'000	RMB'000
Types of goods			
Sales of medical devices	206,458	411,276	24,565
Geographical markets			
PRC	125,630	388,757	24,565
Europe	43,134	14,545	—
Asia, excluding PRC and India	15,575	1,550	—
India	8,760	2,309	—
South America	9,609	3,789	—
Africa	2,845	306	—
Others	905	20	—
Total	206,458	411,276	24,565
Timing of revenue recognition			
At a point in time	206,458	411,276	24,565
Sales channel			
Wholesale	206,458	411,276	24,565
Total	206,458	411,276	24,565

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

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, also have the primary responsibility on selling the goods and bearing the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days (2019: 30 to 180 days) upon delivery.

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

3. REVENUE AND SEGMENT INFORMATION - continued

B. For the year ended 31 December 2019

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

3. REVENUE AND SEGMENT INFORMATION - *continued*

Segment Information

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

The Group's operating segments under IFRS 8 *Operating Segments* ("IFRS 8") are as follows:

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

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

Information regarding the above segments is reported below.

3. REVENUE AND SEGMENT INFORMATION - continued

(a) Segment revenue and results

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

For the year ended 31 December 2020

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

3. REVENUE AND SEGMENT INFORMATION - *continued*

(a) Segment revenue and results - *continued*

For the year ended 31 December 2019

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

Segment profit (loss) represents the gross profit (loss) earned by each segment without allocation of all other items of income and expenses, as set out above. This is the measure reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resources allocation and assessment of segment performance.

3. REVENUE AND SEGMENT INFORMATION - continued

(b) Segment assets and liabilities

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

Segment assets

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

3. REVENUE AND SEGMENT INFORMATION - *continued*

(b) Segment assets and liabilities - *continued*

Segment liabilities

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

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

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

3. REVENUE AND SEGMENT INFORMATION - continued

(c) Other segment information

For the year ended 31 December 2020

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

For the year ended 31 December 2019

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

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

3. REVENUE AND SEGMENT INFORMATION - *continued*

(d) Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on geographical locations of the assets.

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

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

(e) Information about major customers

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

4. OTHER INCOME, EXPENSES, GAINS AND LOSSES

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

Note: The amount represented a gain on disposal of a subsidiary Shenzhen Cardio. After a share transfer to the then existing shareholder of Shenzhen Cardio and a capital injection in Shenzhen Cardio from an independent third party, the Group's shareholding in Shenzhen Cardio decreased from 70% to 51% (at which point the Group lost control over Shenzhen Cardio) and further to 32.45% during the year ended 31 December 2020. Shenzhen Cardio eventually became an associate of the Group as detailed in note 12(iii). Shenzhen Cardio has since been accounted for using the equity method of accounting since the Group lost control over it.

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

5. FINANCE COST, NET

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

6. PROFIT BEFORE TAX

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' fees	432	432
Salaries, wages and other benefits	126,330	163,873
Performance related bonus	45,249	27,569
Share-based payment expenses	154,533	131,762
Retirement benefits scheme contributions	4,673	14,003
Less: capitalised in development costs, construction in progress and inventories	<u>(16,635)</u>	<u>(25,636)</u>
	<u>314,582</u>	<u>312,003</u>
Auditor's remuneration (including audit and non-audit services)	1,800	1,800
Cost of inventories recognised as expenses (Note i)	<u>129,154</u>	<u>134,059</u>

6. PROFIT BEFORE TAX - *continued*

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Depreciation of property, plant and equipment	33,955	29,422
Depreciation of investment properties	5,655	5,489
Depreciation of right-of-use assets	16,014	13,283
Amortisation of intangible assets (Note ii)	7,004	6,998
	<u>62,628</u>	<u>55,192</u>
Total depreciation and amortization		
Gross rental income from investment properties	(37,918)	(49,456)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	5,655	5,489
	<u>(32,263)</u>	<u>(43,967)</u>

Notes:

- (i) For the year ended 31 December 2020, cost of inventories recognised as expenses included write-down on inventories of RMB4,237,000 (2019: RMB2,366,000).
- (ii) Amortisation of intangible assets is included in cost of sales, selling and distribution expenses, administration expenses and research and development expenses amounting to approximately RMB776,000 (2019: RMB800,000), RMB181,000 (2019: RMB146,000), RMB287,000 (2019: RMB427,000) and RMB5,760,000 (2019: RMB5,625,000) respectively for the year.

7. INCOME TAX EXPENSE

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

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

Lifetech Scientific Trading Limited, a subsidiary of the Company, is subject to Hong Kong Profits Tax. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2018 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2.0 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2.0 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5% on assessable profits earned in Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except that one major operating subsidiary in the PRC was qualified as High and New Technology Enterprise since 2009, and it is entitled to a preferential income tax rate of 15%. The qualification of High and New Technology Enterprises is subject to review once every three years and is extended for further three years from August 2020. This major operating subsidiary continued to be recognised as a Hi-Tech enterprise for the two years ended 31 December 2020 and 2019.

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

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

8. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 2020 and 2019, nor any dividend proposed since the end of the reporting period.

9. EARNINGS PER SHARE

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

	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	<u>216,085</u>	<u>129,200</u>
	Year ended 31 December 2020 '000	Year ended 31 December 2019 '000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (note)	4,337,755	4,140,262
Effect of dilutive potential ordinary shares:		
Share options/Award Shares (as defined in note 21)	<u>51,588</u>	<u>1,644</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,389,343</u>	<u>4,141,906</u>

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

10. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2020			
Carrying amount	57,714	11,545	69,259
As at 31 December 2019			
Carrying amount	59,246	22,564	81,810
For the year ended 31 December 2020			
Depreciation charge	1,532	14,482	16,014
For the year ended 31 December 2019			
Depreciation charge	1,157	12,126	13,283
	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000	
Expense relating to short-term leases	589	444	
Total cash outflow for leases	16,680	57,515	
Addition to right-of-use assets	3,432	52,640	

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

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

In addition, lease liabilities of RMB11,519,000 (2019: RMB23,186,000) are recognised with related right-of-use assets of RMB11,545,000 (2019: RMB22,564,000) as at 31 December 2020. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

11. INTANGIBLE ASSETS

	Patents RMB'000	Licences RMB'000	Computer software RMB'000	Development costs RMB'000	Total RMB'000
COST					
At 1 January 2019	54,775	2,679	4,463	156,136	218,053
Additions	2,381	—	991	60,002	63,374
At 31 December 2019	57,156	2,679	5,454	216,138	281,427
Additions	—	—	577	53,286	53,863
Disposal through disposal of a subsidiary	(1,111)	—	(42)	—	(1,153)
At 31 December 2020	56,045	2,679	5,989	269,424	334,137
ACCUMULATED AMORTISATION					
At 1 January 2019	9,547	2,679	3,291	—	15,517
Provided for the year	6,160	—	838	—	6,998
At 31 December 2019	15,707	2,679	4,129	—	22,515
Provided for the year	6,215	—	789	—	7,004
Eliminated on disposal through disposal of a subsidiary	(250)	—	(35)	—	(285)
At 31 December 2020	21,672	2,679	4,883	—	29,234
CARRYING VALUES					
At 31 December 2020	34,373	—	1,106	269,424	304,903
At 31 December 2019	41,449	—	1,325	216,138	258,912

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

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

All of the Group's computer software was acquired from third parties. Licences and certain of the above patents were purchased as part of a business combination in prior years. As at 31 December 2020, patents with carrying amount of RMB26,358,000 (2019: RMB30,628,000) were internally generated.

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

12. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Cost of investment in associates	15,551	3,500
Share of post-acquisition losses and other comprehensive expense	(2,822)	(63)
	<u>12,729</u>	<u>3,437</u>

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

Name of entities	Country of incorporation	Place of business	Proportion of ownership interest held by the Group		Principle activity
			2020	2019	
Shenzhen High-Performance Medical Device National Research Institute Co., Ltd. (深圳高性能醫療器械國家研究院 有限公司) ("Joint Laboratory") (Note i)	The PRC	The PRC	10.42%	12.5%	Developing medical devices
Shenzhen Shangpin Yunma Technology Co. Ltd. (深圳市尚品雲麻科技有限公司) ("Shangpin Yunma") (Note ii)	The PRC	The PRC	—	49%	Operating E-commerce
Shenzhen Lifetech Cardio Medical Electronics Co., Ltd. (深圳市先健心康電子醫療 有限公司) ("Shenzhen Cardio") (Note iii)	The PRC	The PRC	32.45%	N/A	Development and trading of medical devices

12. INTERESTS IN ASSOCIATES - continued

Notes:

- i. During the year ended 31 December 2020, the Group entered into a capital injection agreement with the existing shareholders of Joint Laboratory and certain independent third parties for capital injections to Joint Laboratory. After the capital injections, the proportion of ownership interest held by the Group is diluted from 12.50% to 10.42%. The Group continues to be able to exercise significant influence over Joint Laboratory because the Group is entitled to appoint one of the five directors under its Articles of Association .
- ii. As at 31 December 2019, the Group holds 60% shares of 深圳市雲麻生物科技有限公司("雲麻生物"), a subsidiary of the Group, which holds 49% equity interests of Shangpin Yunma, and serves as the largest shareholder of Shangpin Yunma. The remaining shareholders hold 26% and 25% equity interests of Shangpin Yunma respectively. Under the Article of Association of Shangpin Yunma, shareholders have rights to make managerial decisions and therefore the Group has significant influence over Shangpin Yunma. On 30 December 2020, Shangpin Yunma was deregistered.
- iii. During the year ended 31 December 2020, after a share transfer to the then existing shareholder of Shenzhen Cardio and a capital injection in Shenzhen Cardio from an independent third party, the Group's shareholding on Shenzhen Cardio decreased from 70% to 51% and further to 32.45%. Shenzhen Cardio eventually became an associate of the Group. The Group is able to exercise significant influence over Shenzhen Cardio because the Group is entitled to appoint one of the three directors under its Articles of Association.

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - *continued*

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

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

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

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

ABG-Grail Limited and the Fund are accounted as financial assets at FVTPL in accordance with IFRS 9. In the opinion of the directors of the Company, ABG-Grail Limited and the Fund are held for long-term strategic investment purposes and as such, the investments are classified as non-current.

The fair values of ABG-Grail Limited and the Fund are determined by an independent professional valuer, GW Financial Advisory Services Limited.

14. TRADE RECEIVABLES

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

Trade receivables mainly arose from sales of medical devices.

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

The Group normally allows a credit period of 30 to 180 days (2019: 30 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	31 December 2020 RMB'000	31 December 2019 RMB'000
1 to 90 days	76,019	57,985
91 to 180 days	18,098	11,750
181 to 365 days	11,468	2,570
Over 365 days	1,550	244
	<u>107,135</u>	<u>72,549</u>

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB20,742,000 (2019: RMB9,134,000) which are past due as at the reporting date. Out of the past due balances, RMB1,145,000 (2019: RMB3,376,000) has been past due 90 days or more and is not considered as in default as the Group considered such balances could be recovered based on repayment history. The Group does not hold any collateral over these balances.

15. OTHER RECEIVABLES AND PREPAYMENTS

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

Note: Amounts are unsecured and interest-free. In the opinion of the directors, the Group will demand for repayments within one year from the end of reporting period and the amounts are therefore considered as current.

16. TRADE AND OTHER PAYABLES

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

16. TRADE AND OTHER PAYABLES - continued

The credit period granted by suppliers to the Group ranged from 30 to 120 days (2019: 30 to 120 days). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	31 December 2020 RMB'000	31 December 2019 RMB'000
0 - 30 days	15,872	5,712
31 - 60 days	1,711	2,670
61 - 90 days	691	791
91 - 120 days	331	287
Over 120 days	109	464
	18,714	9,924

17. BANK BORROWINGS

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

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

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

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

17. BANK BORROWINGS - continued

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

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

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

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

18. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

19. LEASE LIABILITIES

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

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

20. SHARE CAPITAL

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

20. SHARE CAPITAL - continued

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

Notes:

- (i) During the year ended 31 December 2019, the Company repurchased a total of 9,414,000 (2020: nil) shares of the Company on The Stock Exchange of Hong Kong Limited of an aggregate consideration (including transaction cost) of approximately RMB11,874,000 (2020: nil). 8,710,000 shares have been cancelled on 23 January 2019 and 8,414,000 shares have been cancelled on 24 July 2019.
- (ii) Pursuant to a placing agreement dated 4 December 2020, a total of 287,320,000 new shares have been issued and allotted on 11 December 2020 at the placing price of HKD3.2368 (equivalent to RMB2.7312) per ordinary share to no less than six places, who and whose respective ultimate beneficial owners are independent of the Company and the connected persons of the Company. These new shares were issued under a general mandate granted to the board of directors at the annual general meeting of the Company held on 28 May 2020 and rank pari passu with other shares in issue in all respects.

21. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme

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

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

The total number of shares which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the listing date on 10 November 2011 (the "Scheme Mandate Limit") (such 10% being equivalent to 400,000,000 shares based on 4,000,000,000 subdivided shares in issue) unless shareholders' approval has been obtained. Any options lapsed in accordance with the terms of the Scheme or any other share option scheme of the Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

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

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

21. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

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

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

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

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

21. SHARE-BASED PAYMENT TRANSACTIONS - continued

(a) Share option scheme - continued

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

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

21. SHARE-BASED PAYMENT TRANSACTIONS - continued

(a) Share option scheme - continued

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HKD2.671 (2019: HKD1.614).

Notes:

- (i) Certain employees resigned during the year and respective share options lapsed accordingly.
- (ii) On 31 December 2019, the Company cancelled all outstanding share options granted on 10 May 2018 and 29 August 2018.

Details of specific categories of share options are as follows:

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

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

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

21. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

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

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

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

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

21. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Share option scheme - *continued*

For the year ended 31 December 2020, the Group recognised approximately RMB2,739,000 (2019: approximately RMB125,850,000) share-based payment expenses in profit or loss, of which, approximately RMB67,000 (2019: approximately RMB6,302,000) was included in cost of sales, approximately RMB975,000 (2019: approximately RMB39,102,000) was included in research and development expenses, approximately RMB1,491,000 (2019: approximately RMB59,637,000) was included in administrative expenses and approximately RMB206,000 (2019: approximately RMB20,809,000) was included in selling and distribution expenses. In addition, approximately RMB555,000 was capitalised in development costs (2019: approximately RMB5,912,000).

(b) Share Award Scheme

On 28 December 2018, the Company adopted the Share Award Scheme. The purpose of the Share Award Scheme is to (i) recognise and motivate the contributions by certain Eligible Participants and to incentivise them and retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and certain Eligible Participants.

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

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

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

21. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(b) Share Award Scheme - *continued*

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular and peripheral vascular diseases and disorders. Currently the Group has three main product lines, including structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. Structural heart diseases business mainly consists of congenital heart diseases occluders and LAA occluder. The peripheral vascular diseases business mainly includes vena cava filter and stent grafts. The product line cardiac pacing and electrophysiology is mainly related to pacemakers. These product lines provide clinically effective and commercially attractive product offerings.

We currently have distributors in numerous countries across Asia, Africa, North America, South America and Europe, with sales network spreading all over the world.

Annual performances

In 2020, with continuous deepening reform of the bidding policies as well as the development of the National Medical Security Bureau system, the tender prices of medical devices show a downward trend. However, the market demand arising from the aging of population, urbanization and the increase of health awareness of the public is the force driving the steady growth of the industry. During this reporting period, the Group leveraged on its advantages in brand image, strengthened academic promotion such as hosting live demonstrations, online seminars and experience sharing by medical professionals, and optimized resources allocation to promote the Group's research and development projects, so as to seize opportunities to further develop its business amidst a changing and challenging environment.

During the year ended 31 December 2020, the Group achieved a revenue of approximately RMB642.3 million, being a decrease of approximately RMB26.6 million or approximately 4.0% as compared to the revenue of approximately RMB668.9 million for the year ended 31 December 2019. Mainland China remained our largest market, as the sales generated from the Chinese market accounted for approximately 83.9% of our total revenue for the year ended 31 December 2020 (corresponding period of 2019: approximately 75.3%). Meanwhile, Europe and Asia (excluding mainland China) were our two largest overseas markets, accounted for approximately 9.0% and 4.4%, respectively, of our total revenue for the year ended 31 December 2020 (corresponding period of 2019: approximately 10.5% and 10.2%, respectively). Our domestic sales increased by approximately 7.0% while overseas sales decreased by approximately 37.4% as compared with the corresponding period of 2019. This change was mainly due to the fact that the COVID-19 epidemic had been contained in China in the second half of 2020 to a large extent such that domestic sales had gradually returned to normal level. However, as the epidemic situation continued to evolve overseas, governments in many places had implemented various policies to suppress the spread of the coronavirus, such as travel bans or restrictions, quarantine and temporary suspension of certain business activities. As a result, fewer patients sought medical attention in hospitals and non-emergency procedures had been postponed. Consequently, the number of procedures dropped relatively sharply, which adversely affected the Company's overseas sales business. It is expected that the demand for non-emergency procedures shall bounce back following the alleviation of the COVID-19 pandemic which would stimulate our overall sales performance.

Research and development (“R&D”)

Independently developed innovative domestic medical device products maintain the competitive strength of the Company, and also provide more effective treatments to patients around the world. In 2020, the Company continuously strengthened its innovation capabilities and accelerated the development of products, so as to maintain its leading position in the industry.

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

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

PATENTS AND BRANDING

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

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

FINANCIAL REVIEW

Revenue

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

Revenue from structural heart diseases business

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

With the diversification of product portfolio, our products cover a wide spectrum of the structural heart diseases business, which mainly include LAA occluder and three generations of congenital heart occluders named HeartR, Cera and CeraFlex. As compared to the corresponding period of 2019, the revenue generated from the sales of LAMBRE™ LAA occluder decreased by approximately 18.8%, HeartR occluders decreased by approximately 37.2%, Cera occluders decreased by approximately 17.3% and CeraFlex occluders decreased by approximately 30.7% for the year ended 31 December 2020.

Revenue from peripheral vascular diseases business

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

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

Revenue from cardiac pacing and electrophysiology business

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

Gross profit and gross profit margin

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

Other income, expenses, gains and losses

Other income, expenses, gains and losses increased from approximately RMB94.3 million for the year ended 31 December 2019 to approximately RMB246.9 million for the year ended 31 December 2020, which was mainly attributable to (i) an increase in gain from changes in fair value of financial assets at FVTPL, and (ii) an increase in investment income from financial assets at FVTPL. Both increases were in relation to our investments in ABG-Grail Limited and Ally Bridge Group Innovation Capital Partners III, L.P.. Please refer to the section headed "Financial assets at FVTPL" below and note 4 and note 13 to the consolidated financial statements in this annual results announcement for further information.

Selling and distribution expenses

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

Administration expenses

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

Research and development expenses

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

Operating profit

Operating profit increased by approximately 40.1% from approximately RMB188.8 million for the year ended 31 December 2019 to approximately RMB264.5 million for the year ended 31 December 2020. The increase was primarily due to (i) the increase of other income and other gains generated by gain from changes in fair value of financial assets at FVTPL; and (ii) the increase of other income and other gains generated by investment income from financial assets at FVTPL. Both increases were in relation to our investments in ABG-Grail Limited and Ally Bridge Group Innovation Capital Partners III, L.P.. Please refer to the section headed "Financial assets at FVTPL" below and note 4 and note 13 to the consolidated financial statements in this annual results announcement for further information.

Share of results of associates

The Group holds 10.42% equity interest in Joint Laboratory, which was accounted as interest in an associate. The Group held 49% equity interest in Shangpin Yunma until 30 December 2020, as Shangpin Yunma had been liquidated and deregistered on 30 December 2020.

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

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

Financial assets at FVTPL

The aggregate unrealised foreign exchange loss in financial assets at FVTPL was approximately RMB21.7 million in 2020 (corresponding period in 2019: gain of approximately RMB2.9 million), and the aggregate gain from changes in fair value of financial assets at FVTPL was approximately RMB200.1 million in 2020 (corresponding period in 2019: approximately RMB7.1 million).

Finance income and finance costs

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

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

Income tax

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

Net profit

Net profit attributable to owners of the Company for the year ended 31 December 2020 was approximately RMB216.1 million as compared to the net profit attributable to owners of the Company amounting to approximately RMB129.2 million in 2019. The increase was mainly due to (i) the increase of other income and other gains generated by gain from changes in fair value of financial assets at FVTPL; and (ii) the increase of other income and other gains generated by investment income from financial assets at FVTPL. Both increases were in relation to our investments in ABG-Grail Limited and Ally Bridge Group Innovation Capital Partners III, L.P.. Please refer to the section headed “Financial assets at FVTPL” above and note 4 and note 13 to the consolidated financial statements in this annual results announcement for further information.

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

BORROWINGS

As at 31 December 2020, bank borrowings amounted to approximately RMB174.5 million, with a decrease of approximately RMB155.8 million as compared to approximately RMB330.3 million as at 31 December 2019. RMB50.0 million of the RMB174.5 million borrowings were borrowed at fixed interest rate. The 2020 Placing (as defined under the section headed “The 2020 Placing”) has boosted the equity standing of the Company and enabled the Company to place less reliance on debt financing in the foreseeable future. With the proceeds generated from the 2020 Placing, the Company repaid some of the bank borrowings in 2020 and we plan to continue reducing our level of bank borrowings during the financial year 2021. Particulars of the bank borrowings are set out in note 17 to the consolidated financial statements in this annual results announcement.

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

CASH AND CASH EQUIVALENT

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

GEARING RATIO

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

CAPITAL STRUCTURE

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

TREASURY POLICY

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

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

CONTINGENT LIABILITIES

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

FINANCIAL INSTRUMENT

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

CAPITAL EXPENDITURE

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

FOREIGN EXCHANGE RISK

During the year ended 31 December 2020, the Group's operations were primarily based in the PRC and Europe. The revenue derived from Europe accounted for approximately 9.0% (2019: approximately 10.5%) of the total revenue of the Group. There were currency fluctuations during the period, the Group's operational results and financial condition may be affected by changes in the exchange rates. As the Group reasonably arranges the currency structure, which effectively reduces foreign exchange risk, the Directors believe that there is no significant foreign exchange risk to the Group at current stage. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the period. The Group will continuously monitor its foreign exchange exposure and will consider hedging of foreign currency risk should the need arise.

CHARGES ON GROUP ASSETS

As at 31 December 2020, the Group had pledged bank deposit of RMB108.0 million (2019: pledged bank deposits of RMB90.0 million and certain of the Group's financial assets at FVTPL of RMB146.9 million) for the purpose of securing the bank borrowings.

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

CAPITAL COMMITMENT

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

SEGMENT INFORMATION

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

Structural heart diseases business

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

Peripheral vascular diseases business

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

Cardiac pacing and electrophysiology business

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

Financial information related to these aspects is presented in Note 3 to the consolidated financial statements in this annual results announcement.

EMPLOYEES

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

EVENTS AFTER REPORTING PERIOD

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

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

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

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

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

Currently, the Company has a low debt-to-asset ratio with adequate bank credit line granted by bank, unobstructed financing channels and healthy cash flow state sufficient to deal with the abovementioned risks, support the normal operations of the business, the construction of Dongguan industrial park construction project and the Company's long-term development.

FUTURE PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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

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

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

Looking further ahead, the Group will actively grasp the development trend of the medical device industry and seek fast-growing, high-margin and high-potential opportunities within or outside of our existing business segments, with an emphasis on long term financial performance over short term rewards. Together with our commitment to broadening our product lines and advancing our R&D capabilities, we endeavor to generate and preserve value over the longer term and to achieve sustainable long-term growth.

THE 2020 PLACING

On 11 December 2020, the Company completed a placing of an aggregate of 287,320,000 new ordinary shares, representing approximately 6.21% of the issued share capital of the Company as enlarged by the allotment and issue of the new shares immediately after the completion of the placing (the "2020 Placing"). The net proceeds raised from the 2020 Placing were approximately HKD930.0 million. For further details, please refer to the Company's announcements dated 4 December 2020 and 11 December 2020.

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

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

BANK BORROWINGS

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles of corporate governance and applied the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as its own code of corporate governance and confirms that it has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2020, save for a deviation from A.2.1 of the CG Code as Mr. XIE Yuehui served as both the Chairman of the Board and the Chief Executive Officer. Although the dual roles of Chairman and Chief Executive Officer is a deviation from the code provision A.2.1 of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. XIE Yuehui provides the Company with strong and consistent leadership while allowing effective and efficient planning and implementation of business decisions and strategies. As such, the Company considers that steps have been taken with a view to ensure that the Company's corporate governance practices are in line with the principles of the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conducts for dealings by Directors in the listed securities of the Company. Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standard as set out in the Model Code during the year ended 31 December 2020.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2020.

AUDITORS

The consolidated financial statements in this annual results announcement have been audited by Deloitte Touche Tohmatsu. There has been no change in the auditors of the Company during the year ended 31 December 2020. A resolution will be proposed at the forthcoming annual general meeting to re-appoint Deloitte Touche Tohmatsu as auditors of the Company.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020 (2019: Nil).

ANNUAL GENERAL MEETING

The 2021 annual general meeting of the Company (the “2021 Annual General Meeting”) will be held on Friday, 28 May 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2021 Annual General Meeting, the register of members of the Company will be closed from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by no later than 4:30 p.m. on Monday, 24 May 2021.

AUDIT COMMITTEE REVIEW

The Group’s audited annual results for the year ended 31 December 2020 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

SCOPE OF WORK OF MESSRS DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

By Order of the Board

LifeTech Scientific Corporation

XIE Yuehui

Executive Director, Chairman

and Chief Executive Officer

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises Mr. XIE Yuehui and Mr. LIU Jianxiong being executive Directors; Mr. JIANG Feng and Mr. FU Feng being non-executive Directors; and Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming being independent non-executive Directors.