Shanghai HeartCare Medical Technology Corporation Limited

上海心瑋醫療科技股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 6609)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Board of Shanghai HeartCare Medical Technology Corporation Limited is pleased to announce the unaudited condensed consolidated interim results of the Group reviewed by the Audit Committee for the six months ended June 30, 2023, together with comparative figures for the same period of 2022.

FINANCIAL HIGHLIGHTS

	Six months ended June 30, 2023 ***RMB'000*** **(Unaudited)**	Six months ended June 30, 2022 *RMB'000* (Unaudited)	Period-to-period change
Revenue	**109,586**	76,713	42.9%
Gross profit	**79,718**	50,865	56.7%
Gross profit margin	**72.7%**	66.3%	6.4 percentage points
Loss before tax	**(54,636)**	(66,985)	-18.4%

BUSINESS HIGHLIGHT

In the first half of 2023, the Company recorded a revenue of RMB109.6 million, representing a period-to-period increase of 42.9%. The increase in revenue was mainly attributable to continuous sales growth of our acute ischemic stroke (AIS) thrombectomy and intracranial stenosis treatment devices, as well as novel access devices.

In line with the surgical recovery and accelerating import substitution due to volume-based procurements (VBP) and diagnostic-related group (DRG)/Diagnosis intervention packet (DIP) reform, we continuously leveraged our efficient sales channels to enhance hospital penetration and improve the physician recognition for our products, aiming to enhancing our brand competitiveness in China's neuro-interventional market with our extensive sales network covering all provinces nationwide other than Hong Kong, Macao and Taiwan. Meanwhile, we boosted overseas revenue after a number of product registration approval by local bureau.

As of the date of this announcement, we have 21 device products approved by NMPA and two device products approved by FDA. The pipelines of Intracranial Neuro Drug-eluting Balloon, Coil Embolization Assistant Stent, Carotid Artery Stent and Flow Diverter Device have advanced to the late stage. During the Reporting Period, the Company incurred R&D expenses of RMB69.9 million, aiming to concentrate on the progress of several cutting-edge candidates of the treatment of stroke and pulmonary thromboembolism.

Since the end of last year, we have focused on optimizing manufacture process and improving cost efficiency, to enhance quality stability and operation efficiency. In the six months ended June 30, 2023, the gross profit increased by RMB28.9 million period-to-period and the gross margin increased to 72.7%, the selling and distribution expenses and administrative expenses expense rate decreased from 96.8% to 65.2% in the first half year thus the loss before tax narrowed to RMB54.6 million.

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2023, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended June 30, 2023

		Six months ended June 30,	
	Notes	**2023**	2022
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**109,586**	76,713
Cost of sales		**(29,868)**	(25,848)
Gross profit		**79,718**	50,865
Other income and gains	*5*	**10,746**	21,592
Other expenses		**(2,648)**	(459)
Research and development costs		**(69,850)**	(60,908)
Administrative expenses		**(29,814)**	(38,296)
Selling and distribution expenses		**(41,662)**	(35,978)
Finance costs	*6*	**(1,126)**	(1,009)
Share of loss of an associate		**—**	(2,792)
LOSS BEFORE TAX		**(54,636)**	(66,985)
Income tax credit	*7*	**298**	170
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(54,338)**	(66,815)
Attributable to:			
Owners of the parent		**(54,338)**	(66,815)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*9*	**(1.42)**	(1.75)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2023

	Notes	**As of June 30, 2023** ***RMB'000*** **(Unaudited)**	As of December 31, 2022 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Plant and equipment		**78,911**	83,345
Right-of-use assets		**75,321**	34,886
Goodwill		**9,711**	9,711
Other intangible assets		**37,994**	39,243
Prepayments, other receivables and other assets, non-current		**13,555**	12,952
Financial assets at fair value through profit or loss, non-current		**400**	400
Total non-current assets		**215,892**	180,537
CURRENT ASSETS			
Inventories		**159,737**	132,158
Trade receivables	*10*	**59,205**	25,350
Prepayments, other receivables and other assets, current		**61,959**	100,372
Financial assets at fair value through profit or loss ("**FVTPL**")		**50,216**	—
Restricted cash		**8,034**	4,020
Cash and bank balances		**694,552**	870,122
Total current assets		**1,033,703**	1,132,022

	Notes	As of June 30, 2023 RMB'000 (Unaudited)	As of December 31, 2022 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*11*	**47,030**	48,309
Lease liabilities, current		**6,177**	5,878
Government grants, current		**1,467**	1,467
Interest-bearing bank borrowing		**—**	5,000
Contract liabilities		**814**	6,852
Total current liabilities		**55,488**	67,506
NET CURRENT ASSETS		**978,215**	1,064,516
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,194,107**	1,245,053
NON-CURRENT LIABILITIES			
Lease liabilities, non-current		**37,846**	39,809
Government grants, non-current		**29,674**	30,407
Deferred tax liabilities		**9,062**	9,360
Total non-current liabilities		**76,582**	79,576
Net assets		**1,117,525**	1,165,477
EQUITY			
Equity attributable to owners of the parent			
Share capital		**38,834**	38,834
Treasury shares		**(42,750)**	(42,563)
Reserves		**1,121,441**	1,169,206
Total equity		**1,117,525**	1,165,477

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

June 30, 2023

1. CORPORATE INFORMATION

Shanghai HeartCare Medical Technology Corporation Limited (the "**Company**") was incorporated in the People's Republic of China ("**PRC**") on June 16, 2016 as a limited liability company. On December 3, 2020, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited on August 20, 2021. The registered office and the headquarter of the Company is located at 1st and 3rd Floor, Building 38, No. 356, Zhengbo Road, Lingang New District, Pilot Free Trade Zone, Shanghai, the PRC.

The Company and its subsidiaries (the "**Group**") are principally engaged in the research, development, manufacturing and sale of innovative medical devices.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2022.

This interim condensed consolidated financial information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since January 1, 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at January 1, 2022, with no financial effect recognised as an adjustment to the balance of accumulated losses or other component of equity as at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after January 1, 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset amounting to RMB7,265,000 (unaudited) for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability amounting to RMB7,265,000 (unaudited) for all taxable temporary differences associated with right-of-use assets as at January 1, 2022.

The adoption of amendments to IAS 12 did not have any impact on the financial position or performance of the Group for the six months ended June 30, 2023 and 2022.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after January 1, 2023, but are not required to disclose such information for any interim periods ending on or before December 31, 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

Segment information

For management purposes, the Group is not organised into business units based on their products and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

Geographical information

During the reporting period, most of the Group's revenue was derived from customers located in Mainland China and nearly all of the Group's non-current assets were located in Mainland China, and therefore no geographical segment information is presented in accordance with IFRS 8 *Operation Segments*.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of medical devices	**109,586**	76,713

Revenue from contracts with customers

Disaggregated revenue information

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Geographical markets		
Mainland China	**109,269**	76,637
Others	**317**	76
	109,586	76,713
Timing of revenue recognition		
Goods transferred at a point in time	**109,586**	76,713

An analysis of other income and gains is as follows:

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Bank interest income	**6,433**	7,022
Government grants	**1,187**	10,032
	7,620	17,054
Other gains		
Foreign exchange gains, net	**2,814**	4,538
Fair value gains on financial assets at FVTPL	**216**	—
Gain on disposal of items of plant and equipment	**96**	—
	3,126	4,538
	10,746	21,592

6. FINANCE COSTS

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**1,097**	1,009
Interest on a bank loan	**29**	—
	1,126	1,009

7. INCOME TAX

	For the six months ended June 30,	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China		
Charge for the period	**—**	—
Deferred	**(298)**	(170)
Total tax credit for the period	**(298)**	(170)

No PRC Corporate Income Tax was provided as there was no estimated assessable profit of the Group's PRC subsidiaries during the periods presented in the interim condensed consolidated financial information.

Deferred tax assets have not been fully recognised in respect of these losses and temporary differences as they have arisen in the Group that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised in the foreseeable future.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended June 30, 2023, nor has any dividend been proposed since the end of the reporting period (during the six months ended June 30, 2022: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares in issue for the six months ended June 30, 2023 and 2022.

No adjustment has been made to the basic loss per share amounts presented for the six months ended June 30, 2023 and 2022 in respect of a dilution as the impact of the share award scheme had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation (RMB'000)	**(54,338)**	(66,815)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**38,140,299**	38,140,084
Loss per share (basic and diluted) (RMB per share)	**(1.42)**	(1.75)

10. TRADE RECEIVABLES

An ageing analysis of the trade receivables as at the end of each reporting period, based on the invoice date and net of loss allowance, is as follows:

	June 30, 2023	December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**59,205**	25,303
6 to 12 months	**—**	47
	59,205	25,350

11. TRADE AND OTHER PAYABLES

	June 30, 2023	December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**3,287**	4,132
Payroll payable	**14,499**	22,238
Accrued expenses	**6,518**	6,523
Accrued listing expenses for A shares	**2,548**	2,409
Advance payments received for subscription of share awards	**5,654**	5,654
Other tax payables	**3,245**	1,369
Other payables and accruals	**11,279**	5,984
	47,030	48,309

An ageing analysis of the trade payables as at the end of each reporting period, based on the invoice date, is as follows:

	June 30, 2023	December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**2,358**	2,415
3 to 6 months	**295**	1,410
6 to 12 months	**577**	247
1 to 2 years	**57**	60
	3,287	4,132

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Overview

We are an innovative medical device company committed to improving the accessibility of innovative medical technologies and protecting lives and health. We have established a pioneering leadership position in China's neuro-interventional market and successfully provided the first domestic one-stop solution for stroke treatment and prevention. Leveraging our advantage in R&D, manufacturing and commercialization, we strive to fulfill the unmet needs of clinicians and patients in the fields with tremendous opportunities, redefine the standard of care, reduce mortality rate, and improve prognosis by continuously launching innovative medical devices.

In the first half of 2023, the Company recorded revenue of RMB109.6 million, representing a period-to-period increase of 42.9%. The increase in revenue was mainly attributable to continuous sales growth of our AIS thrombectomy and intracranial stenosis treatment devices, as well as novel access devices.

In line with the surgical recovery and accelerating import substitution due to VBP and DRG/DIP reform, we continuously leveraged our efficient sales channels to enhance hospital penetration and improve the physician recognition for our products, aiming to enhancing our brand competitiveness in China's neuro-interventional market with our extensive sales network covering all provinces nationwide other than Hong Kong, Macao and Taiwan. Meanwhile, we boosted overseas revenue after a number of product registration approval by local bureau.

As of the date of this announcement, we have 21 device products approved by NMPA and two device products approved by FDA. The pipelines of Intracranial Neuro Drug-eluting Balloon, Coil Embolization Assistant Stent, Carotid Artery Stent and Flow Diverter Device have advanced to the late stage. During the Reporting Period, the Company incurred R&D expenses of RMB69.9 million, aiming to concentrate on the progress of several cutting-edge candidates of the treatment of stroke and pulmonary thromboembolism.

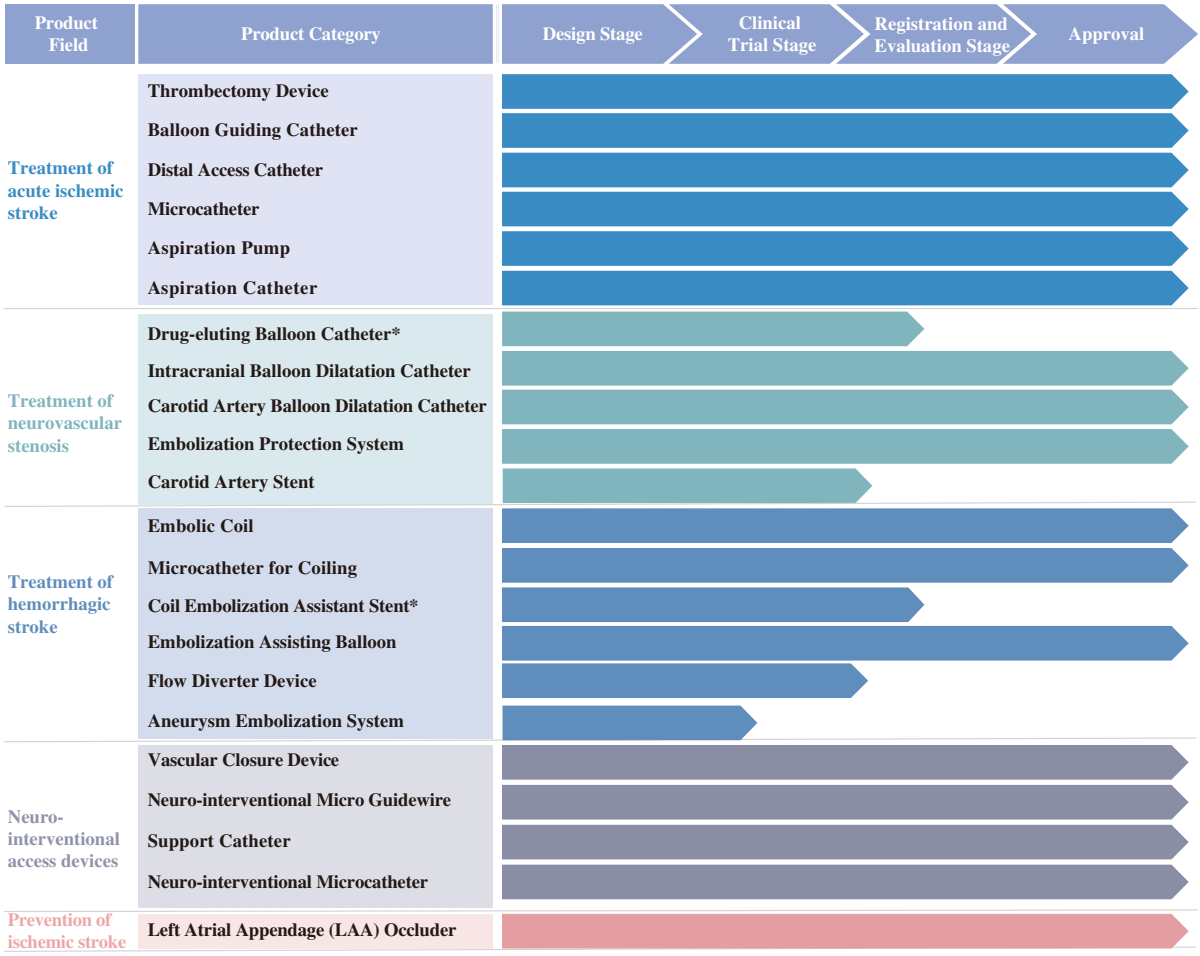
Since the end of last year, we have focused on optimizing manufacture process and improving cost efficiency, to enhance quality stability and operation efficiency. In the six months ended June 30, 2023, the gross profit increased by RMB28.9 million period-to-period and the gross margin increased to 72.7%, the selling and distribution expenses and administrative expenses expense rate decreased from 96.8% to 65.2% in the first half year thus the loss before tax narrowed to RMB54.6 million.

Products and Pipeline

As of the date of this announcement, we have 21 device products approved by NMPA and two device products approved by FDA.

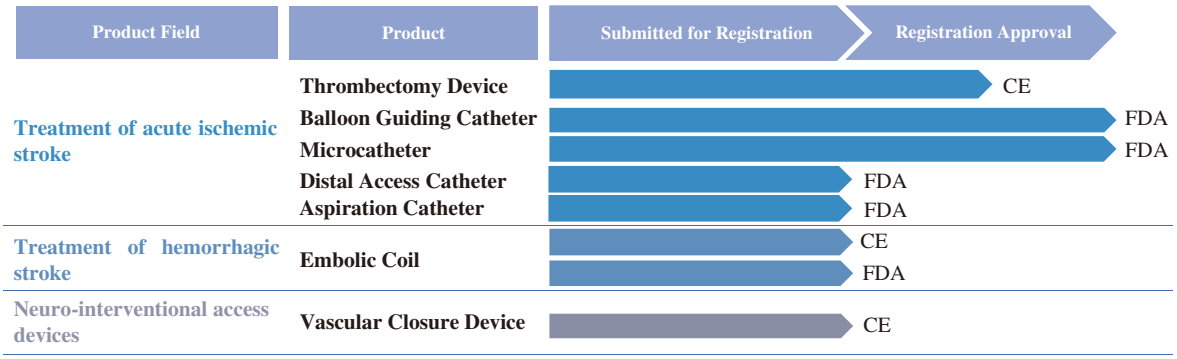
The following diagram summarizes the development status of our neuro-interventional pipeline including approved products and broad product pipelines in the late-stage of R&D covering acute ischemic stroke and neurovascular stenosis treatment, ischemic stroke prevention, hemorrhagic stroke treatment, and interventional access as of the date of this announcement:

NMPA Pipeline



* Eligible for NMPA Green Channel

FDA and Conformité Européenne (CE) Pipeline



Our Key Neuro-interventional Products and Product Candidates

Ischemic stroke thrombectomy devices

Core Product — Captor™ Thrombectomy Device (Captor) is the first domestic thrombectomy stent retriever with multi-markers approved by NMPA, sales in China started in December 2020. As of the date of this announcement, we have upgraded Captor by adding more product models with stents of varying lengths and diameters. Depending on the occluded blood vessel diameter and thrombus size, physicians may choose the stent retriever with the proper length and size, out of a selection of nine product models. We are evaluating the opportunities for upgrading Captor for indication expansion. Further, we are evaluating the opportunities to market Captor overseas and may apply for its registration in the United States and Europe subject to the results of our evaluation.

WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP NEW INDICATION AND SPECIFICATIONS AND EXPAND OVERSEAS MARKET FOR OUR CAPTOR SUCCESSFULLY.

Besides Captor, our **Distal Access Catheter, Microcatheter, Balloon Guiding Catheter, Intracranial Thrombosis Aspiration Catheter** and **Aspiration Pump** for the treatment of ischemic stroke have also obtained NMPA approval, and we had a product portfolio covering stents and aspiration thrombectomy procedure.

Intracranial Stenosis Treatment Devices

Intracranial Drug-eluting Balloon Catheter (Intracranial DEB) is designed to deliver an anti-proliferative drug to the lesion to prevent fibrosis and vessel occlusion. We initiated a registration clinical trial for Intracranial DEB in May 2020. As of the date of this announcement, our Intracranial DEB has completed the clinical trial, and we have submitted the application for NMPA registration. This product has obtained green channels for NMPA review.

Hemorrhagic Stroke Treatment Devices

Embolic Coil can be released at the location of the aneurysm, filling the aneurysm to isolate the aneurysm from normal blood circulation and prevent the aneurysm from further expanding and breaking. We have obtained the NMPA approval for our embolic coil.

Coil Embolization Assistant Stent is used in aneurysm coiling procedures for patients with aneurysm. It is designed for bridging the neck of aneurysm to support the coils placed in the aneurysm. As of the date of this announcement, clinical trials of our coil embolization assistant stent was completed and we have submitted the application for NMPA registration. It has obtained green channels for NMPA review.

Flow Diverter Device is a neurovascular stent placed in the blood vessel of an aneurysm, which can divert blood flow away from the aneurysm. Over time, blood flow into the aneurysm may slow down and the aneurysm may shrink, thus healing the blood vessel. As of the date of this announcement, the patient enrollment for clinical trials of our flow diverter devices was completed.

Vascular Access Devices

We are also developing various vascular access devices for use in interventional procedures. As of the date of this announcement, we have obtained NMPA approvals for **Vascular Closure Device, Support Catheter, Neuro-Interventional Microcatheter** and **Micro Guidewire**.

Ischemic Stroke Prevention Devices

Core Product — LAA Occluder is a stroke prevention device designed to be permanently implanted at the opening of the LAA of patients with non-valvular atrial fibrillation (AF) to prevent thrombus escaping from the LAA, thus causing embolization. LAA Occlusion is a one-time surgical therapy with proven efficacy, in particular for the patient who is not suitable for long-term oral anticoagulation therapy and has a higher risk for bleeding complications. We have obtained the NMPA approval and commenced sales in the second half of 2022.

In addition, we had several other product candidates in the design stage, which further supplements our full-set product portfolio for the treatment and prevention of stroke. For details of our products and product candidates, please refer to the Prospectus.

Research and Development

The Company's product R&D aims to build a high-quality product portfolio with market competitiveness. Capitalizing on existing R&D platforms, certain products we developed are qualified for NMPA priority review. Meanwhile, we formed a multi-level product matrix through continuously iterating products approved for marketing, so as to meet the clinical needs.

As of the date of this announcement, we had 172 registered patents, including 63 invention patents, 97 utility models and 12 industrial design patents. As of the date of this announcement, we also had 187 pending patents applications, including 171 invention patents and 16 utility models.

Manufacturing

In terms of manufacturing, we continuously improve our product quality and competitive advantage based on a stable and efficient supply chain.

As of the date of this announcement, we have three production facilities in Shanghai Lingang New Area, Shanghai Zhangjiang and Nanjing Jiangbei New Area, which can ensure a sufficient supply of products.

Commercialization

As of the date of this announcement, we have an extensive sales network in China's neuro-interventional market, covering all provinces nationwide other than Hong Kong, Macao and Taiwan.

Meanwhile, academic exchange platforms elaborately built by us contribute to our brand image and influence in the market through diversified channels and digital media, laying the foundation for long-term and stable revenue growth.

Future and Outlook

We aim to become the leader in the neuro-interventional medical device market in China, and to develop into a competitive domestic device company in several innovative medical device markets within China.

We plan to implement the following strategies to achieve this goal:

- improve our brand recognition as a comprehensive neuro-interventional device solution provider in the market, expand sales of our commercialized neuro-interventional devices and rapidly advance our product candidates into commercialization;

- further enhance our manufacturing capabilities to ensure reliability of our product supply; and

- promote the development of innovative medical devices in emerging therapeutic fields with high potential growth market to form a second business unit with a competitive commercialized product portfolio in addition to our neuro-interventional business.

The Company also proposed to apply to the relevant PRC authorities for the issuance of A shares to be listed on the Science and Technology Innovation Board of the Shanghai Stock Exchange, please refer to the Company's announcements dated October 10, 2022 and November 9, 2022 and circular dated October 24, 2022 for further details.

II. FINANCIAL REVIEW

Overview

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included in other parts of this announcement.

Revenue

For six months ended June 30, 2023, all our revenue was generated from the sales of our commercialized neuro-interventional devices.

Revenue increased by 42.9% from RMB76.7 million for six months ended June 30, 2022 to RMB109.6 million for six months ended June 30, 2023. The increase in revenue was mostly attributable to sales growth of our AIS thrombectomy and intracranial stenosis treatment devices, as well as novel access devices.

Cost of Sales

Cost of sales increased from RMB25.8 million for six months ended June 30, 2022 to RMB29.9 million for six months ended June 30, 2023, which was in line with the increase in our revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased from RMB50.9 million for six months ended June 30, 2022 to RMB79.7 million for six months ended June 30, 2023. Gross profit margin is calculated as gross profit divided by revenue. Our gross profit margin increased from 66.3% for the six months ended June 30, 2022 to 72.7% for the six months ended June 30, 2023, primarily attributed to increased manufacture scale, and the increasingly mature manufacturing techniques.

Other Income and Gains

Other income and gains decreased from RMB21.6 million for six months ended June 30, 2022, to RMB10.7 million for six months ended June 30, 2023, primarily attributable to (i) the decrease in our government grants; and (ii) the decrease in foreign exchange gains, net.

Research and Development Costs

R&D costs increased from RMB60.9 million for the six months ended June 30, 2022 to RMB69.9 million for the six months ended June 30, 2023, primarily due to the increase in raw materials and consumables incurred for the trial manufacture of our pipeline candidates.

The following table sets forth a breakdown of our research and development costs:

	Six months ended June 30, 2023 (Unaudited)		Six months ended June 30, 2022 (Unaudited)	
	RMB million	***%***	*RMB million*	*%*
Staff costs	**23.7**	**33.9**	24.0	39.4
Depreciation and amortization	**4.0**	**5.7**	4.5	7.4
Third party contracting costs	**19.0**	**27.2**	19.4	31.9
Raw materials and consumables	**18.2**	**26.0**	9.1	14.9
Others	**5.0**	**7.2**	3.9	6.4
Total	**69.9**	**100**	60.9	100

Administrative Expenses

Administrative expenses decreased from RMB38.3 million for six months ended June 30, 2022 to RMB29.8 million for six months ended June 30, 2023, primarily attributed to a decrease in professional service fees.

Selling and Distribution Expenses

Selling and distribution expenses increased from RMB36.0 million for six months ended June 30, 2022 to RMB41.7 million for six months ended June 30, 2023, primarily attributed to increasing market development costs as sale effort expands.

Finance Costs

We incurred finance costs of RMB1.1 million for six months ended June 30, 2023 which remained relatively stable compared to finance costs of RMB1.0 million for six months ended June 30, 2022.

Borrowings and Gearing Ratio

As at June 30, 2023, the Group has not incurred any outstanding borrowing, as compared to a borrowing of RMB5.0 million as at December 31, 2022. Gearing ratio is calculated by dividing total debt by total equity multiplying by 100.0%. As of June 30, 2023, our gearing ratio decreased to 3.9% from 4.3% as of December 31, 2022.

Liquidity and Financial Resources

We mainly relied on capital contributions by our shareholders and equity financing as the major sources of liquidity as well as cash generated from our sales revenue of existing commercialized medical device products. As part of our treasury policy, our management monitors and maintains a level of cash and bank balances deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. As our business develops and expands, we expect to generate more net cash from our operating activities, through increasing sales revenue of the existing commercialized products and by launching new products.

Our cash and bank balances as of June 30, 2023 were RMB694.6 million, as compared to RMB870.1 million as of December 31, 2022.

Our net current assets as of June 30, 2023 was RMB978.2 million, as compared to RMB1,064.5 million as of December 31, 2022.

Capital Expenditure

For six months ended June 30, 2023, our total capital expenditure amounted to approximately RMB47.2 million as compared to a capital expenditure of RMB23.8 million for six months ended June 30, 2022. The capital expenditure was primarily used in the acquisition of a land-use-right.

Contingent Liabilities

As of June 30, 2023, the Group did not have any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

As of June 30, 2023, the Group did not have material acquisitions and disposals of subsidiaries, associates and joint ventures, or had any significant investment accounting for more than 5% of the Group's total assets.

Pledge of Assets

As of June 30, 2023, the Group had no pledge of assets.

Foreign Exchange Exposure

We are exposed to foreign currency risk mainly arising from cash at bank denominated in USD and HKD. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Future Plans for Material Investments or Capital Assets

We had not authorized any plan for the material investments or acquisition of capital asset as of the date of this announcement.

Human Resources

As of June 30, 2023, we had 453 full-time employees in total. The remuneration policy for the Directors and senior management is based on their responsibility and general market conditions. Any discretionary and performance bonus are linked to the general performance of the Group and the individual performances of the Directors and senior management.

In compliance with the relevant PRC labor laws, we enter into individual employment contracts with our employees covering matters such as terms, wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination.

To remain competitive in the labor market, we provide various incentives and benefits to our employees. We invest in continuing education and training programs, including internal and external training, for our management staff and other employees to upgrade their skills and knowledge. We also provide competitive salaries and stock incentive plans to our employees especially key employees. We believe our benefits, working environment and development opportunities for our employees have contributed to good employee relations and employee retention.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company, or the laws of the PRC, which would oblige the Company to offer new shares of the Company on a pro-rata basis to its existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2023.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: Nil).

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after the Reporting Period and up to the date of this announcement.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors, Supervisors and the Company's senior management who, because of their office or employment, are likely to possess inside information in relation to the Company's securities.

Upon specific enquiry, all Directors and Supervisors confirmed that they have complied with the Model Code during the six months ended June 30, 2023. In addition, the Company is not aware of any non-compliance with the Model Code by the senior management of the Group during the six months ended June 30, 2023.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders of the Company as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code as its own code to govern its corporate governance practices. Except for code provision C.2.1 of Part 2 of the CG Code set out below, in the opinion of the Directors, the Company has complied with all the code provisions as set out in the CG Code during the six months ended June 30, 2023.

Under code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Guohui is the chairman of the Board and chief executive officer of the Company. With extensive experience in the medical devices industry and having served in the Company as the general manager since the very early stage of our Company, Mr. Wang is in charge of overall management of the Company. Despite the fact that the roles of our chairman of the Board and our chief executive officer are both performed by Mr. Wang which constitutes a deviation from code provision C.2.1 of Part 2 of the CG Code, the Board considers that vesting the roles of both chairman of the Board and chief executive officer all in Mr. Wang has the benefit of ensuring consistent leadership and more effective and efficient overall strategic planning of the Company. The balance of power and authority is ensured by the operation of our Board, which comprises experienced and diverse individuals. The Board currently comprises two non-executive Directors and three independent non-executive Directors as compared to three executive Directors. Therefore, the Board possesses a strong independent element in its composition. The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

The Audit Committee has three members comprising two independent non-executive Directors, being Mr. Gong Ping (chairman) and Mr. Feng Xiangqian, and one non-executive Director, being Mr. Ding Kui, with terms of reference in compliance with Rule 3.21 of the Listing Rules. The Audit Committee has considered and reviewed the accounting principles and practices adopted by the Group and has discussed matters in relation to internal controls, risk management and financial reporting with the management, including the review of the unaudited condensed consolidated interim financial results and the interim report of the Group for the six months ended June 30, 2023.

The Audit Committee, together with the management of the Company, considers that the interim financial results for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

The Company's independent auditor, Ernst & Young, has reviewed the interim financial information of the Group for the six months ended June 30, 2023 in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.heartcare.com.cn). The 2023 interim report of the Company containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the above websites in due course.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code" or "Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, excluding Hong Kong, Macau Special Administrative Region and Taiwan
"Company" or "our Company"	Shanghai HeartCare Medical Technology Corporation Limited (上海心瑋醫療科技股份有限公司), a joint stock limited liability company incorporated in the PRC, whose H Shares are listed on the Stock Exchange (Stock Code: 6609)
"Director(s)"	the director(s) of the Company or any one of them
"FDA"	the U.S. Food and Drug Administration
"Group", "the Group", "our Group", "our", "we" or "us"	the Company and its subsidiaries
"H Share(s)"	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in Hong Kong dollars
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars", "HKD" or "HK$"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Listing Rules"	the Rules governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NMPA"	the National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局) or the CFDA
"Prospectus"	the prospectus of the Company dated August 10, 2021 in relation to the Global Offering (as defined therein)
"Reporting Period"	the six months ended June 30, 2023
"R&D"	research and development
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Share(s)"	share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, comprising the Unlisted Shares and H Shares
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary"	has the meaning ascribed thereto under the Listing Rules
"Supervisor(s)"	the supervisor(s) of the Company
"United States" or "U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

"USD" or "US$"	United States dollars, the lawful currency of the United States
"%"	per cent

By Order of the Board
Shanghai HeartCare Medical Technology Corporation Limited
Wang Guohui
Chairman of the Board

Shanghai, August 31, 2023

As at the date of this announcement, the executive Directors are Mr. Wang Guohui, Ms. Zhang Kun and Mr. Wei Jiawei; the non-executive Directors are Mr. Ding Kui and Mr. Chen Shaoxiong; and the independent non-executive Directors are Mr. Guo Shaomu, Mr. Feng Xiangqian and Mr. Gong Ping.