# 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, 2021

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, 2021, together with comparative figures for the same period of 2020.

### FINANCIAL HIGHLIGHTS

| | **Six months ended June 30, 2021** ***RMB'000*** **(Unaudited)** | Six months ended June 30, 2020 *RMB'000* (Unaudited) | Period-to-period change |
|---|---|---|---|
| Revenue | **30,125** | 2,171 | 1287.4% |
| Gross profit | **19,052** | 1,094 | 1641.5% |
| Gross profit margin | **63.2%** | 50.4% | 12.8 percentage points |
| Loss before tax | **(93,671)** | (15,834) | 491.6% |
| Loss for the period | **(93,671)** | (15,834) | 491.6% |
| Loss attributable to owners of the parent | **(91,702)** | (15,834) | 479.2% |
| Loss per share attributable to ordinary equity holders of the parent | | | |
| Basic and diluted (RMB) | **(3.02)** | (0.77) | 292.2% |

## INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2021, as follows:

## INTERIM CONDENSE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended June 30, 2021*

| | | Six months ended June 30, | |
|---|---|---|---|
| | *Notes* | **2021** | 2020 |
| | | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| REVENUE | *5* | **30,125** | 2,171 |
| Cost of sales | | **(11,073)** | (1,077) |
| **Gross profit** | | **19,052** | 1,094 |
| Other income and gains | *5* | **6,963** | 633 |
| Other expenses | *6* | **(1,741)** | (1) |
| Research and development costs | | **(32,392)** | (10,608) |
| Administrative expenses | | **(48,561)** | (3,259) |
| Selling and distribution expenses | | **(18,396)** | (3,122) |
| Finance costs | *7* | **(1,241)** | (571) |
| Listing expenses | | **(17,355)** | – |
| **LOSS BEFORE TAX** | *8* | **(93,671)** | (15,834) |
| Income tax expense | *9* | **–** | – |
| **LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD** | | **(93,671)** | (15,834) |
| Attributable to: | | | |
| Owners of the parent | | **(91,702)** | (15,834) |
| Non-controlling interests | | **(1,969)** | – |
| | | **(93,671)** | (15,834) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted (RMB) | *11* | **(3.02)** | (0.77) |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As of June 30, 2021*

| | *Notes* | **As of June 30, 2021** ***RMB'000*** **(Unaudited)** | As of December 31, 2020 *RMB'000* (Audited) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | | **38,968** | 30,105 |
| Goodwill | | **9,711** | 9,711 |
| Other intangible assets | | **40,900** | 40,900 |
| Right-of-use assets | | **37,606** | 22,281 |
| Prepayments, other receivables and other assets, non-current | | **21,928** | 8,852 |
| Total non-current assets | | **149,113** | 111,849 |
| **CURRENT ASSETS** | | | |
| Inventories | | **11,659** | 8,638 |
| Trade receivables | *12* | **14,676** | – |
| Prepayments, other receivables and other assets, current | | **42,721** | 20,726 |
| Financial assets at fair value through profit or loss ("**FVTPL**") | | **250,620** | – |
| Cash and bank balances | | **287,373** | 632,418 |
| Total current assets | | **607,049** | 661,782 |

| | Notes | As of June 30, 2021 RMB'000 (Unaudited) | As of December 31, 2020 RMB'000 (Audited) |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *13* | **52,975** | 34,083 |
| Lease liabilities, current | | **1,061** | 230 |
| Government grants, current | | **1,467** | 1,467 |
| Contract liabilities | | **2,841** | 832 |
| Total current liabilities | | **58,344** | 36,612 |
| **NET CURRENT ASSETS** | | **548,705** | 625,170 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **697,818** | 737,019 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities, non-current | | **40,429** | 24,459 |
| Government grants, non-current | | **10,567** | 11,300 |
| Deferred tax liabilities | | **10,225** | 10,225 |
| Total non-current liabilities | | **61,221** | 45,984 |
| **Net assets** | | **636,597** | 691,035 |
| **EQUITY** | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | **32,233** | 32,233 |
| Reserves | | **600,509** | 649,135 |
| | | **632,742** | 681,368 |
| Non-controlling interests | | **3,855** | 9,667 |
| Total equity | | **636,597** | 691,035 |

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## 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 registered office 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 (together, the "Group") were principally engaged in the research, development, manufacturing and sale of neuro-interventional medical devices.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2021 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information required for a complete set of financial statements prepared in accordance with the IFRSs, and should be read in conjunction with the Group's financial information as set out in the accountants' report (the "Accountants' Report") included in Appendix I to the Company's prospectus dated August 10, 2021 in connection with the initial public offering of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Accountants' Report, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions beyond 30 June 2021* |

The nature and impact of the revised IFRSs are described below:

The adoption of the revised standard has had no significant financial effect on the Group's interim condensed consolidated financial information.

## 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, all of the Group's revenue was derived from customers located in Mainland China and all of the Group's non-current assets were located in the 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:

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| *Revenue from contracts with customers* | | |
| Sale of medical devices | **30,125** | 2,171 |

**Revenue from contracts with customers**

***Disaggregated revenue information***

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| **Geographical markets** | | |
| Mainland China | **30,125** | 2,171 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **30,125** | 2,171 |

An analysis of other income and gains is as follows:

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Other income | | |
| Government grants* | **1,877** | 387 |
| Bank interest income | **2,328** | 58 |
| | **4,205** | 445 |
| Other gains | | |
| Fair value gains on financial assets at FVTPL | **2,758** | 188 |
| | **6,963** | 633 |

* The government grants mainly represent subsidies received from local government authorities for the purpose of compensation for expenditure arising from research and clinical trial activities, awards for new medical device development and capital expenditure incurred on certain projects.

## 6. OTHER EXPENSES

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Foreign exchange losses, net | **914** | 1 |
| Donation | **284** | – |
| Impairment of trade receivables | **509** | – |
| Others | **34** | – |
| | **1,741** | 1 |

## 7. FINANCE COSTS

| | Six months ended June 30, | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest on lease liabilities | **797** | 571 |
| Interest on restricted share repurchase obligations | **444** | – |
| | **1,241** | 571 |

## 8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | Notes | Six months ended June 30, 2021 RMB'000 (Unaudited) | 2020 RMB'000 (Unaudited) |
|---|---|---|---|
| Cost of sales | | **11,073** | 1,077 |
| Research and development costs | | **32,392** | 10,608 |
| Impairment of trade receivables | *6* | **509** | – |
| Depreciation of plant and equipment | | **2,853** | 2,331 |
| Depreciation of right-of-use assets | | **2,129** | 1,716 |
| Government grants | *5* | **(1,877)** | (387) |
| Bank interest income | *5* | **(2,328)** | (58) |
| Fair value gains on financial assets at FVTPL | *5* | **(2,758)** | (188) |
| Listing expenses | | **17,355** | – |
| Lease payments not included in the measurement of lease liabilities | | **23** | – |
| Auditors' remuneration | | **332** | 20 |
| Employee benefit expenses | | | |
| – Independent non-executive directors' fee | | **222** | – |
| – Wages, salaries and allowances | | **19,247** | 5,267 |
| – Pension scheme contributions | | **3,119** | 543 |
| – Staff welfare expenses | | **1,064** | 205 |
| – Equity-settled share award expenses | | **39,233** | 1,436 |
| Foreign exchange differences, net | *6* | **914** | 1 |
| Donation | *6* | **284** | – |

## 9. INCOME TAX

The provision for corporate income tax in Mainland China is based on the statutory rate of 25% of the assessable profits as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on January 1, 2008.

Weiming Medical Devices (Shanghai) Co., Ltd. was accredited as a "Key industry enterprise in the Lingang New Area of China (Shanghai) Pilot Free Trade Zone" in January 2021 and has been entitled to a preferential income tax rate of 15% for a three-year period since 2020.

No PRC Enterprise Income tax was provided for 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 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.

## 10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended June 30, 2021, nor has any dividend been proposed since the end of the reporting period (during the six months ended June 30, 2020: Nil).

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

On December 3, 2020, the Company was converted to a joint stock limited liability company, and a total of 28,000,000 ordinary shares with par value of RMB1.00 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on that day. The conversion to ordinary shares with par value of RMB1.00 each is applied retrospectively for the six months ended June 30, 2020 for the purpose of computation of basic loss per share.

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, 2021 and 2020.

No adjustment has been made to the basic loss per share amounts presented for the six months ended June 30, 2021 and 2020 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:

| | **Six months ended June 30,** | |
|---|---|---|
| | **2021** | 2020 |
| | **(Unaudited)** | (Unaudited) |
| Loss | | |
| Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation (RMB'000) | **(91,702)** | (15,834) |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation | **30,376,516** | 20,661,679 |
| Loss per share (basic and diluted) (RMB per share) | **(3.02)** | (0.77) |

## 12. 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, 2021** | December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 6 months | **14,676** | – |
| | **14,676** | – |

## 13. TRADE AND OTHER PAYABLES

| | **June 30, 2021** | December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | **4,636** | 586 |
| Accrued expenses | **2,125** | 6,415 |
| Payroll payable | **8,678** | 3,483 |
| Other tax payables | **794** | 307 |
| Accrued listing expenses | **17,214** | 7,764 |
| Other payables | **3,845** | 289 |
| Restricted share repurchase obligations | **15,683** | 15,239 |
| | **52,975** | 34,083 |

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, 2021** | December 31, 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 3 months | **4,636** | 578 |
| 6 to 12 months | **–** | 7 |
| 1 to 2 years | **–** | 1 |
| | **4,636** | 586 |

## 14. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

| | **June 30, 2021** ***RMB'000*** **(Unaudited)** | December 31, 2020 *RMB'000* (Audited) |
|---|---|---|
| Contracted, but not provided for: | | |
| Leasehold improvements | **8,235** | 7,666 |

## MANAGEMENT DISCUSSION AND ANALYSIS

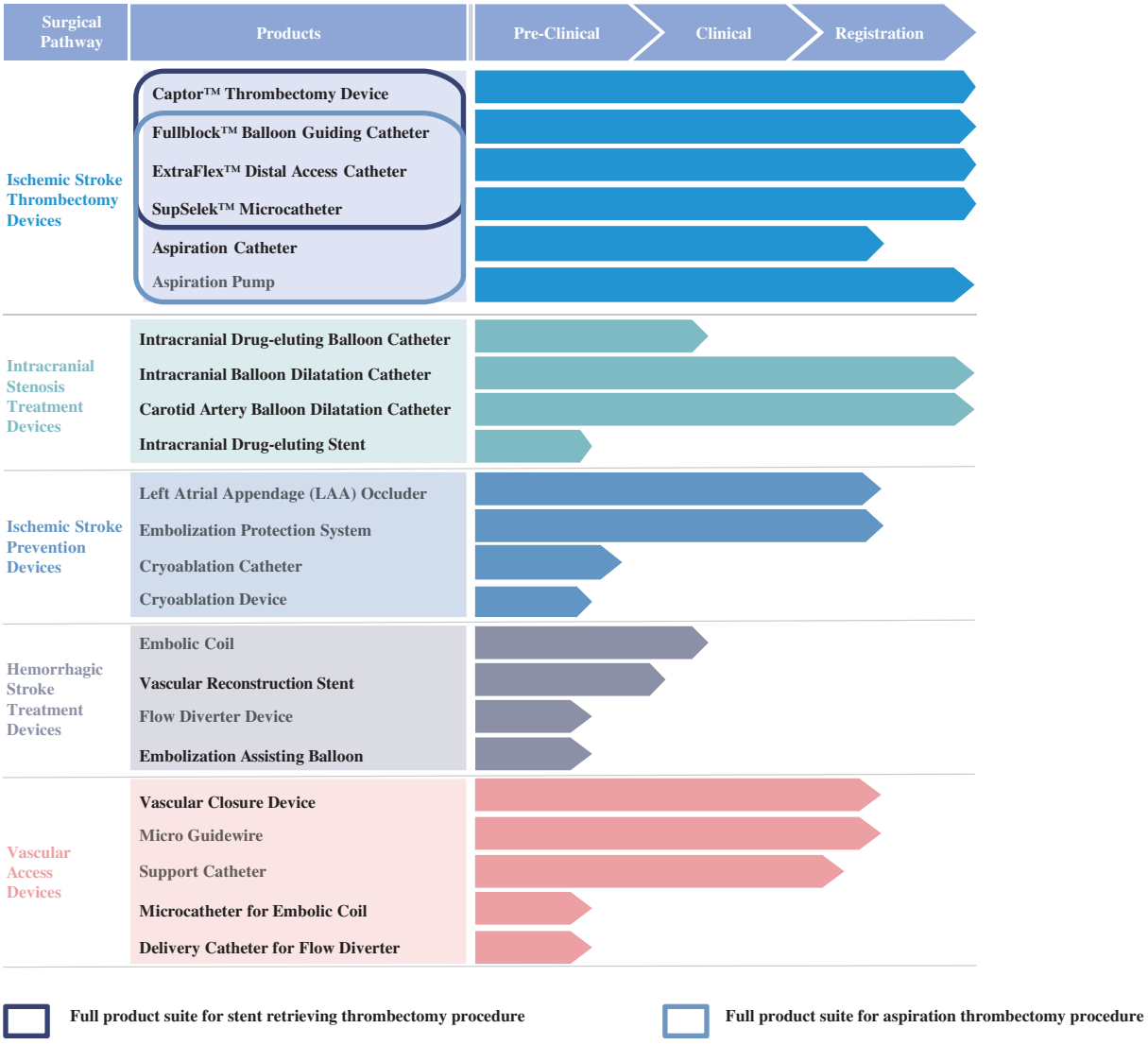
## I. BUSINESS

### Overview

We are an innovative neuro-interventional medical device company with an established leadership position in the neuro-intervention market in China by virtue of our portfolio broadly covering the treatment and prevention of stroke. Leveraging our capabilities in R&D, manufacturing and commercialization, we strive to reduce the mortality rate and improve prognosis of stroke in China and worldwide through the commercialization of our product candidates. In addition, we are launching pioneering projects with innovative product candidates and high growth potential market in the neuro-interventional medical device and other relevant endovascular treatment areas in China.

### Products and Pipeline

As of the date of this announcement, we have a broad portfolio of seven NMPA approved products and 16 product candidates in China. Our portfolio extends from the treatment and prevention of ischemic stroke, covering acute ischemic stroke and intracranial stenosis, to the treatment of hemorrhagic stroke, including the first domestic commercialized full suite of stent retrieving thrombectomy devices and our potentially global-first sirolimus intracranial drug-eluting balloon catheter for intracranial stenosis treatment, to which the special procedures to the examination and approval for innovative medical devices ("創新醫療器械特別審查程序") was applicable and for which we had completed the patient enrollment as of the date of this announcement. The following diagram summarizes the development status of our in-house developed products and product candidates as of the date of this announcement:




### *Our Key Neuro-interventional Products and Product Candidates*

*Ischemic stroke thrombectomy devices*

**Core Product** - Captor™ Thrombectomy Device ("**Captor**") is used in the minimally invasive thrombectomy procedures to remove the thrombi, or blood clots, in intracranial vessels for patients with acute ischemic stroke (AIS) due to large vessel occlusion (AIS-LVO patients). It can restore blood flow upon device deployment by capturing and retrieving the target thrombus from occluded blood vessels. The NMPA-approved indication for Captor is thrombus removal for AIS-LVO patients within eight hours after onset of symptoms who are not eligible for intravenous thrombolysis (IVT) or are not responding to IVT treatment. It can also be conducted in combination with IVT in accordance with the patients' indications.

We submitted the registration application for Captor to the NMPA in December 2019 and received the NMPA approval in August 2020, making it 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 were preparing for adding more product models of different lengths and diameters and were also upgrading Captor for indication expansion. We are evaluating the opportunities to market Captor overseas and are planning to apply for its registration in the United States and Europe.

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

Aside from Captor, we have three commercialized products, namely the ExtraFlex™ distal access, the SupSelek™ microcatheter and Fullblock™ balloon guiding catheter, which together can form a product suite for stent retrieving thrombectomy procedures when used in combination with Captor.

**Aspiration catheter and pump** are used in the aspiration thrombectomy procedure to retrieve the thrombus and restore blood flow in occluded cerebral vessels for AIS-LVO patients. We submitted the NMPA registration applications for both the aspiration catheter and aspiration pump in the fourth quarter of 2020. We received the NMPA approval for our aspiration pump in July 2021 and our aspiration catheter was in NMPA registration review as of the date of this announcement.

*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 registration clinical trial for intracranial DEB in May 2020. As of the date of this announcement, our intracranial DEB was in the registration clinical trial and we had completed the patient enrollment. The special procedures to the examination and approval for innovative medical devices is applicable to our intracranial DEB. We aim to complete the trial, submit NMPA registration application and receive NMPA approval in 2022.

*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 completed the clinical trial in December 2020 and it was admitted for NMPA registration review in May 2021. We expect to receive NMPA approval in the fourth quarter of 2021 and commence sales in the second quarter of 2022.

**WE MAY NOT BE ABLE TO ULTIMATELY DEVELOP AND MARKET OUR LAA OCCLUDER SUCCESSFULLY.**

*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. As of the date of this announcement, our embolic coil was in the registration clinical trial. We expect to submit NMPA registration application and receive the NMPA approval in 2022.

**Vascular reconstruction stent** is designed for bridging the neck of aneurysm to support the coils placed in the aneurysm. We completed product design and type testing for our vascular reconstruction stent as of the date of this announcement. We expect to submit NMPA registration application and aim to receive NMPA approval in 2022.

*Vascular Access Devices*

We are also developing various vascular access devices for use in interventional procedures, including our vascular closure device. We expect to receive NMPA approvals for vascular closure device, micro guidewire and support catheter in 2021.

In addition, we had seven other product candidates in design stage covering different product categories of neuro-interventional medical devices, which further supplements our full-set product portfolio for the treatment and prevention of stoke, including our flow diverter device and embolization assisting balloon.

For details of our products and product candidates, please refer to our prospectus dated August 10, 2021 (the "**Prospectus**").

**Research and Development**

We have built the R&D platforms leveraging our advanced technologies and engineering techniques for the development of neuro-interventional devices. Our five technology platforms comprehensively cover our product development, manufacturing and quality control.

Aside from our five technology platforms, namely the stent forming and processing platform, catheter technology development and manufacturing platform, balloon technology development and manufacturing platform, braiding technology development and manufacturing platform and interventional products quality platform, we plan to build and develop additional technology platforms including combinatory drug and device platform and active medical device platform.

As of the date of this announcement, we had 42 registered patents in China, including eight invention patents and 34 utility models. As of the same date, we had 58 pending patent applications in China, including 53 invention patents, four utility models and one industrial design patent.

**Manufacturing**

As of the date of this announcement, we carried out manufacturing activities at our manufacturing facility located in our leased properties in Zhangjiang, Shanghai, with an aggregate gross floor area of approximately 1,784.1 sq.m. As of the date of this announcement, our general headquarters office in Lin-gang Special Area had commenced operation, and we plan on applying for the production permit for our commercialized products at our Lin-gang manufacturing facility in the next few months.

We plan to construct additional production facility in Lin-gang Special Area to accommodate the growing demand for our products going forward.

**Commercialization**

We conduct all of our sales in China. We have built an in-house sales and marketing team of highly experienced sales personnel. As of June 30, 2021, we had a sales and marketing team of 65 employees. We are continuing to expand our sales and marketing team.

As of the date of this announcement, we have built an established, extensive and growing distribution network comprising over 80 distributors covering over 1,400 hospitals across 29 provinces in China. Our commercialized products are allowed to be sold in most of the provinces in China, which laid a solid foundation for our revenue increase.

**Intellectual Property Infringement Claims**

In April 2021, we were notified by the Intermediate Court of Ningbo City, Zhejiang Province about certain intellectual property infringement claims brought against us by Medtronic, Inc., a medical technology company incorporated in the United States. For details, please refer to the Prospectus. As of the date of this announcement, there was no material updates in relation to this claim.

**Future and Outlook**

We aim to become an undisputable leader in the global neuro-interventional medical device market. We plan to implement the following strategies to achieve this goal:

- Continue to grow sales of our product suite of stroke thrombectomy devices and rapidly advance our registration-stage product candidates into commercialization;

- Advance and supplement our product pipeline to further enrich our full-set product offering for stroke care;

- Further enhance our integrated R&D infrastructure and manufacturing capabilities; and

- Selectively engage with potential partnership and global collaborations to capture market opportunities.

## II. FINANCIAL REVIEW

We only started to generate revenue in the first quarter of 2020 when we started to commercialize our SupSelek™ microcatheter and ExtraFlex™ distal access catheter. As a result, we incurred net losses in each reporting period since our inception. For the six months ended June 30, 2020 and 2021, we incurred net losses of RMB15.8 million and RMB93.7 million, respectively. We expect to continue to incur net losses in the near future as we continued to invest in R&D of, seek regulatory approval for, and commercialize our pipeline products.

### Revenue

For the six months ended June 30, 2021, all our revenue was generated from the sales of our ExtraFlex™ distal access catheter, SupSelek™ microcatheter, Captor™ thrombectomy device and Fullblock™ balloon guiding catheter. The following table sets forth a breakdown of our revenue for the periods indicated:

| | **Six months ended June 30, 2021 (Unaudited)** | | Six months ended June 30, 2020 (Unaudited) | |
|---|---|---|---|---|
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| ExtraFlex™ distal access catheter | **19,589** | **65** | 1,900 | 88 |
| Captor™ thrombectomy device | **9,929** | **33** | – | – |
| Others* | **607** | **2** | 271 | 12 |
| Total | **30,125** | **100.0** | 2,171 | 100.0 |

* Including SupSelek™ microcatheter and Fullblock™ balloon guiding catheter. No revenue was generated from Fullblock™ balloon guiding catheter for the six months ended June 30, 2020, as it was commercialized in April 2021.

Revenue increased by 1,287.4% from RMB2.2 million for the six months ended June 30, 2020 to RMB30.1 million for the six months ended June 30, 2021, primarily due to the increase in revenue generated from ExtraFlex™ distal access catheter and the commercialization of Captor™ thrombectomy device in December 2020.

**Cost of Sales**

Cost of sales increased significantly from RMB1.1 million for the six months ended June 30, 2020 to RMB11.1 million for the six months ended June 30, 2021, 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 significantly from RMB1.1 million for the six months ended June 30, 2020 to RMB19.1 million for the six months ended June 30, 2021. Gross profit margin is calculated as gross profit divided by revenue. Our gross profit margin increased from 50.4% for the six months ended June 30, 2020 to 63.2% for the six months ended June 30, 2021, primarily because our Captor commercialized in December 2020 earned relatively higher gross profit margin.

**Other Income and Gains**

Other income and gains increased from RMB0.6 million for the six months ended June 30, 2020, to RMB7.0 million for the six months ended June 30, 2021, primarily attributable to (i) increase in bank interest income as a result of the increase in cash and bank balances in relation to our financing activities, (ii) the increase in our government grants, and (iii) the increase in fair value gains on financial assets at FVTPL as a result of our investment in wealth management products.

**Research and Development Costs**

Research and development costs increased from RMB10.6 million for the six months ended June 30, 2020, to RMB32.4 million for the six months ended June 30, 2021, primarily due to increased costs incurred for our neuro-interventional medical device candidates.

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

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| | **(unaudited)** | (unaudited) |
| Staff costs | **13,346** | 4,430 |
| Depreciation and amortization | **1,354** | 2,072 |
| Third party contracting costs | **11,545** | 2,226 |
| Raw materials and consumables | **4,777** | 1,319 |
| Others | **1,370** | 561 |
| **Total** | **32,392** | 10,608 |

**Administrative Expenses**

Administrative expenses increased from RMB3.3 million for the six months ended June 30, 2020 to RMB48.6 million for the six months ended June 30, 2021, primarily attributed to an increase in the equity-settled share award expenses to our management and staff to incentivize our key management and staff.

**Selling and Marketing Expenses**

Selling and marketing expenses increased from RMB3.1 million for the six months ended June 30, 2020, to RMB18.4 million for the six months ended June 30, 2021, primarily attributable to the increases in our staff cost and market development expenses, mainly in relation to (i) the commercialization of additional products, and (ii) the promotion of our subsequent products to pave the way for their sales and distribution once approved.

**Other Expenses**

For the six months ended June 30, 2021, we incurred other expenses of RMB1.7 million, which was primarily in relation to foreign exchange loss and impairment of trade and other receivables.

**Finance Costs**

Finance costs increased from RMB0.6 million for the six months ended June 30, 2020, to RMB1.2 million for the six months ended June 30, 2021, primarily due to the increase in interest on restricted share repurchase obligations in relation to certain equity interest granted in August 2020 and the interest on lease liabilities.

**Listing Expenses**

For the six months ended June 30, 2021, we incurred listing expenses of RMB17.4 million, as compared to nil for the six months ended June 30, 2020.

## Gearing Ratio

Gearing ratio is calculated by dividing total liabilities by total equity multiplying by 100.0%. As of June 30, 2021, our gearing ratio increased to 18.8% from 12.0% as of December 31, 2020.

## Liquidity and Financial Resources

Since inception, we mainly relied on capital contributions by our shareholders and equity financing as the major sources of liquidity. We also generate cash from our sales revenue of existing commercialized medical device products. 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, 2021 were RMB287.4 million, representing a decrease of 54.6% compared to RMB632.4 million (audited) as of December 31, 2020. Such decrease was primarily due to our purchase of principal-guaranteed wealth management products.

Our net current assets as of June 30, 2021 was RMB548.7 million, as compared to RMB625.2 million (audited) as of December 31, 2020.

To improve the utilization of our cash at hand on a short-term basis, we continue to make investments in principal-guaranteed wealth management products issued by a PRC commercial bank, which generate relatively low-risk income for us. The expected returns of such wealth management products ranged from 1.60% to 3.46% per annum. Such wealth management products were redeemable at any time. We recognized such investments as financial assets at FVTPL and managed such investments in accordance with our internal policies. As of June 30, 2021, we recorded financial assets at FVTPL of RMB250.6 million, as compared to nil as of December 31, 2020. For details of our financial assets measured at FVTPL, please refer to the Prospectus.

## Capital Expenditure

For the six months ended June 30, 2021, our total capital expenditure amounted to approximately RMB23.5 million, which was used in purchase of equipment and machinery.

## Contingent Liabilities

As of June 30, 2021, we did not have any material contingent liabilities.

## Material Acquisitions and Disposals

For the six months ended June 30, 2021, we did not conduct any material acquisitions and disposals.

## Events After Reporting Period

On August 20, 2021, we successfully completed our listing on the Main Board of the Stock Exchange. We issued in total 6,601,850 H shares globally (assuming the over-allotment option is not exercised) at HK$171.00 per H Share, raising in total approximately HK$1,128.9 million (equivalent to RMB941.8 million) before deduction of underwriting fees, commissions and related expenses. The stabilization period in connection with the initial global offering will end on September 12, 2021. Information in relation to the stabilizing actions and over-allotment options will be published in due course.

Save as disclosed above, the Company is not aware of any material subsequent events from June 30, 2021 to the date of this announcement.

## Foreign Exchange Exposure

We are exposed to foreign currency risk mainly arising from cash at bank denominated in USD. 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.

### Employees and Remuneration Policies

As of June 30, 2021, we had 220 employees in total, who were all based in China.

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.

### Future Plans for Material Investments and Capital Asset

Save as disclosed in this announcement, we had not authorized any plan for the material investments or acquisition of capital asset as of the date of this announcement.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Interim dividend

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2021 to the Shareholders.

### Use of Proceeds

The proceeds received by the Company from its initial global offering (assuming the over-allotment option is not exercised) amounted to approximately HK$1,128.9 million (equivalent to RMB941.8 million) before deduction of underwriting fees, commissions and related expenses in connection with the exercise of the initial global offering. The stabilization period in connection with the initial global offering will end on September 12, 2021. Information in relation to the stabilizing actions and over-allotment options will be published in due course.

For the six months ended June 30, 2021, the Company has not used any net proceeds. The Company intends to use the net proceeds in the same manner and proportion as set out in the Prospectus under the section headed “Future Plans and Use of Proceeds”. For details of the breakdown of the use of proceeds, please refer to the 2021 interim report of the Company to be published in due course.

## 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, 2021, as the Company was not listed on the Stock Exchange as of June 30, 2021.

## Model Code for Securities Transactions by Directors and Supervisors

The Company has adopted a code of conduct regarding Directors' and Supervisors' securities transactions on terms no less exacting than the required standard set out in the Model Code in Appendix 10 to the Listing Rules. Specific enquiries have been made to all Directors and the Supervisors, and they have confirmed that they have complied with our Company's code of conduct regarding Directors' and Supervisors' securities transactions during the Reporting Period.

## Compliance with the Corporate Governance Code

The Company has adopted and applied the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

Mr. Wang Guohui is our 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 Group. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Listing Rules, 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 four non-executive Directors and three independent non-executive Directors as compared to two executive Directors. Therefore, the Board possesses a strong independent element in its composition.

Save as disclosed above, during the six months ended June 30, 2021, the Company has strictly complied with the mandatory code provisions in the Corporate Governance Code.

## Audit Committee

The Audit Committee has three members comprising all independent non-executive Directors, being Mr. Gong Ping (chairman), Mr. Ding Kui and Mr. Feng Xiangqian, 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 of the Group for the six months ended June 30, 2021. The Audit Committee considers that the interim financial results for the six months ended June 30, 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

**Publication of Interim Results Announcement and Interim Report**

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.strokemedical.com).

The interim report for the Reporting Period containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

**DEFINITIONS**

| | |
|---|---|
| "Audit Committee" | the audit committee of the Board |
| "Board" | the board of directors of the Company |
| "China" or "the 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" | 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 Hong Kong Stock Exchange (Stock Code: 6609) |
| "Corporate Governance Code" | the Corporate Governance Code set out in Appendix 14 to the Listing Rules |
| "Director(s)" | the director(s) of the Company |
| "GMP" | good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification |

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|---|---|
| "Group", "the Group", "our Group", "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 Hong Kong Stock Exchange and subscribed for and traded in Hong Kong dollars |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "IFRS" | International Financial Reporting Standards |
| "Listing Rules" | the Rules governing the Listing of Securities on the Stock Exchange, as amended or supplemented 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" | 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); |
| "Prospectus" | the prospectus published by the Company on August 10, 2021 in relation to its Hong Kong public offering |
| "Reporting Period" | the six months period from January 1, 2021 to June 30, 2021 |
| "RMB" or "Renminbi" | Renminbi Yuan, the lawful currency of China |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Supervisor(s)" | member(s) of the supervisory committee of the Company |

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

Shanghai China, August 30, 2021

*As of the date of this announcement, the executive Directors are Mr. Wang Guohui and Ms. Zhang Kun; the non-executive Directors are Mr. Ding Kui, Mr. Liu Yanbin, Mr. Chen Gang and Mr. Ouyang Xiangyu; and the independent non-executive Directors are Mr. Guo Shaomu, Mr. Feng Xiangqian and Mr. Gong Ping.*