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, 2022

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, 2022, together with comparative figures for the same period of 2021.

FINANCIAL HIGHLIGHTS

	Six months ended June 30, 2022 ***RMB'000*** **(Unaudited)**	Six months ended June 30, 2021 *RMB'000* (Unaudited)	Period-to-period change
Revenue	**76,713**	30,125	154.6%
Gross profit	**50,865**	19,052	167.0%
Gross profit margin	**66.3%**	63.2%	3.1 percentage points
Research and development costs	**(60,908)**	(32,392)	88.0%
Loss before tax	**(66,985)**	(93,671)	-28.5%

In the first half of 2022, the Company recorded revenue of RMB76.7 million, representing a year-on-year increase of 154.6%, given that the commercialization of certain new products approved since the end of 2021 was delayed due to the epidemic control policies in Shanghai.

In the first half of 2022, the Company obtained NMPA approvals for another six new products. As of June 30, 2022, a total of 15 neuro-interventional device products of the Company has been approved, covering various types of neuro-interventional procedures for stroke treatment and prevention. In the first half of 2022, the Company incurred research and development expenses of RMB60.9 million, representing a year-on-year increase of 88.0%. In the pipeline of product candidates, intracranial neuro drug-eluting balloon and vascular reconstruction stent (also known as "coil embolization assistant stent") have been qualified for NMPA priority reviews (also known as "green channels"). The products mentioned above, together with the flow diverter device, are expected to further enhance the competitiveness of the Company's neuro-interventional device portfolio after launch.

We continuously enhanced our brand competitiveness in China's neuro-interventional market with our extensive sales network and stable and efficient supply chain. In the meantime, we are also continuing to promote the research and development of product candidates in emerging businesses, such as cardiac intervention, pulmonary intervention and computer-assisted technology, and target to advance the pipeline of several innovative device candidates to the clinical trial stage by the end of this year.

In terms of commercialization, we have a sales network of more than 100 distributors in China's neuro-interventional market, covering all provinces nationwide other than Hong Kong, Macao and Taiwan, laying a solid foundation for the market-access and sales growth of the new products after the launch. The Company elaborately built certain academic communication platforms including "Weilai Shuyuan (瑋來書院)" and "Jingbang Lundao (經邦論道)", which contribute to our brand image and influence in the market through diversified channels and digital media. In the second half of 2022, newly approved products will continue to be put into the market, which will help the Company to further expand the coverage of terminal hospitals and meet the huge domestic demand for primary care.

INTERIM RESULTS

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2022, as follows:

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

For the six months ended June 30, 2022

		Six months ended June 30,	
	Notes	**2022**	2021
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**76,713**	30,125
Cost of sales		**(25,848)**	(11,073)
Gross profit		**50,865**	19,052
Other income and gains	*5*	**21,592**	6,963
Other expenses	*6*	**(459)**	(1,741)
Research and development costs		**(60,908)**	(32,392)
Administrative expenses		**(38,296)**	(48,561)
Selling and distribution expenses		**(35,978)**	(18,396)
Finance costs	*7*	**(1,009)**	(1,241)
Listing expenses		**–**	(17,355)
Share of losses of an associate		**(2,792)**	–
LOSS BEFORE TAX		**(66,985)**	(93,671)
Income tax benefit	*8*	**170**	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(66,815)**	(93,671)
Attributable to:			
Owners of the parent		**(66,815)**	(91,702)
Non-controlling interests		**–**	(1,969)
		(66,815)	(93,671)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*10*	**(1.75)**	(3.02)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2022

	Notes	**As of June 30, 2022** ***RMB'000*** **(Unaudited)**	As of December 31, 2021 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Plant and equipment		**74,155**	77,066
Goodwill		**9,711**	9,711
Other intangible assets		**41,957**	42,429
Right-of-use assets		**32,994**	35,079
Prepayments, other receivables and other assets, non-current		**20,505**	8,039
Investment in an associate		**32,008**	–
Total non-current assets		**211,330**	172,324
CURRENT ASSETS			
Inventories		**66,553**	32,128
Trade receivables	*11*	**23,385**	18,931
Prepayments, other receivables and other assets, current		**122,578**	56,984
Financial assets at fair value through profit or loss ("**FVTPL**")		**400**	–
Restricted cash		**374**	6,564
Cash and bank balances		**996,952**	1,217,717
Total current assets		**1,210,242**	1,332,324

	Notes	**As of June 30, 2022** ***RMB'000*** **(Unaudited)**	As of December 31, 2021 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and other payables	*12*	**38,594**	48,175
Lease liabilities, current		**5,058**	2,489
Government grants, current		**1,467**	1,467
Contract liabilities		**6,614**	3,257
Total current liabilities		**51,733**	55,388
NET CURRENT ASSETS		**1,158,509**	1,276,936
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,369,839**	1,449,260
NON-CURRENT LIABILITIES			
Lease liabilities, non-current		**38,054**	39,451
Government grants, non-current		**26,300**	27,033
Deferred tax liabilities		**10,055**	10,225
Total non-current liabilities		**74,409**	76,709
Net assets		**1,295,430**	1,372,551
EQUITY			
Equity attributable to owners of the parent			
Share capital		**38,834**	38,834
Treasury shares		**(39,891)**	(21,185)
Reserves		**1,296,487**	1,354,902
Total equity		**1,295,430**	1,372,551

1. CORPORATE INFORMATION

Shanghai HeartCare Medical Technology Corporation Limited (the "Company") was incorporated in the People's Republic of China ("PRC") on 16 June 2016 as a limited liability company. On 3 December 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 innovative medical devices.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2022 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 International Financial Reporting Standards ("IFRSs"), and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2021.

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 IFRSs for the first time for the current period's financial information.

Amendment to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendment to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

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, most 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 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,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of medical devices	**76,713**	30,125

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Geographical markets		
Mainland China	**76,637**	30,125
Others	**76**	–
	76,713	30,125
Timing of revenue recognition		
Goods transferred at a point in time	**76,713**	30,125

An analysis of other income and gains is as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income		
Government grants	**10,032**	1,877
Bank interest income	**7,022**	2,328
	17,054	4,205
Other gains		
Fair value gains on financial assets at FVTPL	**–**	2,758
Foreign exchange gains, net	**4,538**	–
	21,592	6,963

6. OTHER EXPENSES

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Foreign exchange losses, net	**–**	914
Donation	**319**	284
Impairment of trade receivables	**110**	509
Others	**30**	34
	459	1,741

7. FINANCE COSTS

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on lease liabilities	**1,009**	797
Interest on restricted share repurchase obligations	**–**	444
	1,009	1,241

8. 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 Enterprise Income Tax Law (the "**EIT 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 five-year period since 2020.

The Company was accredited as a "High and New Technology Enterprise" in November 2021 and therefore is entitled to a preferential tax rate of 15% for a three-year period since 2021. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authority in the PRC every three years and the Company should self-evaluate whether it meets the criteria of High and New Technology Enterprise each year.

Pursuant to Caishui [2018] circular No. 76, the Company and its subsidiaries which were accredited as "Technology-based Small and Medium-sized Enterprises", Weiming Medical Devices (Shanghai) Co., Ltd., Nanjing SealMed Medical Technology Co., Ltd., Shanghai Weiqi Medical Devices Co., Ltd., Shanghai Weilang Medical Technology Co., Ltd. and Shanghai Shenji Medical Technology Co., Ltd., can carry forward their unutilised tax losses for up to ten years. This extension of the expiration period applies to all the unutilised tax losses that were carried forward by the entities at the effective date of the tax circular.

In addition, pursuant to the relevant EIT Law, the Company and its subsidiaries abovementioned enjoyed a super deduction of 200% on qualifying research and development expenditures during the period.

No PRC Enterprise 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 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.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the six months ended June 30, 2022, nor has any dividend been proposed since the end of the reporting period (during the six months ended June 30, 2021: Nil).

10. 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, 2022 and 2021.

No adjustment has been made to the basic loss per share amounts presented for the six months ended June 30, 2022 and 2021 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,	
	2022	2021
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent, used in the basic loss per share calculation (RMB'000)	**(66,815)**	(91,702)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	**38,140,084**	30,376,516
Loss per share (basic and diluted) (RMB per share)	**(1.75)**	(3.02)

11. 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,	December 31,
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 6 months	**23,385**	18,931

12. TRADE AND OTHER PAYABLES

	June 30, 2022 ***RMB'000*** **(Unaudited)**	December 31, 2021 *RMB'000* (Audited)
Trade payables	**3,225**	2,252
Payable for acquisition of non-current assets	**3,642**	5,620
Payroll payable	**12,014**	15,250
Other tax payables	**2,192**	585
Other payables and accruals	**17,147**	9,078
Payable for share purchase	**374**	6,564
Payable for acquisition of non-controlling interests	**–**	8,826
	38,594	48,175

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, 2022 ***RMB'000*** **(Unaudited)**	December 31, 2021 *RMB'000* (Audited)
Within 3 months	**2,966**	1,048
3 to 6 months	**205**	1,123
6 to 12 months	**41**	74
1 to 2 years	**13**	7
	3,225	2,252

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 research and development ("R&D"), manufacturing and commercialization, we strive to fulfill the unmet needs of clinicians and patients in China while operating a variety of emerging business units extending from Neuro-intervention, Cardiac intervention, Pulmonary intervention to Computer-assisted technology, and more. In the above therapeutic fields and medical markets with tremendous opportunities, we aim to redefine the standard of care, reduce mortality rate, and improve prognosis by continuously launching innovative medical devices.

In the first half of 2022, we continuously enhanced our brand competitiveness in China's neuro-interventional market with our extensive sales network and stable and efficient supply chain. The Company recorded revenue of RMB76.7 million, representing a year-on-year increase of 154.6%, given that the commercialization of certain new products approved since the end of 2021 was delayed due to the epidemic control policies in Shanghai.

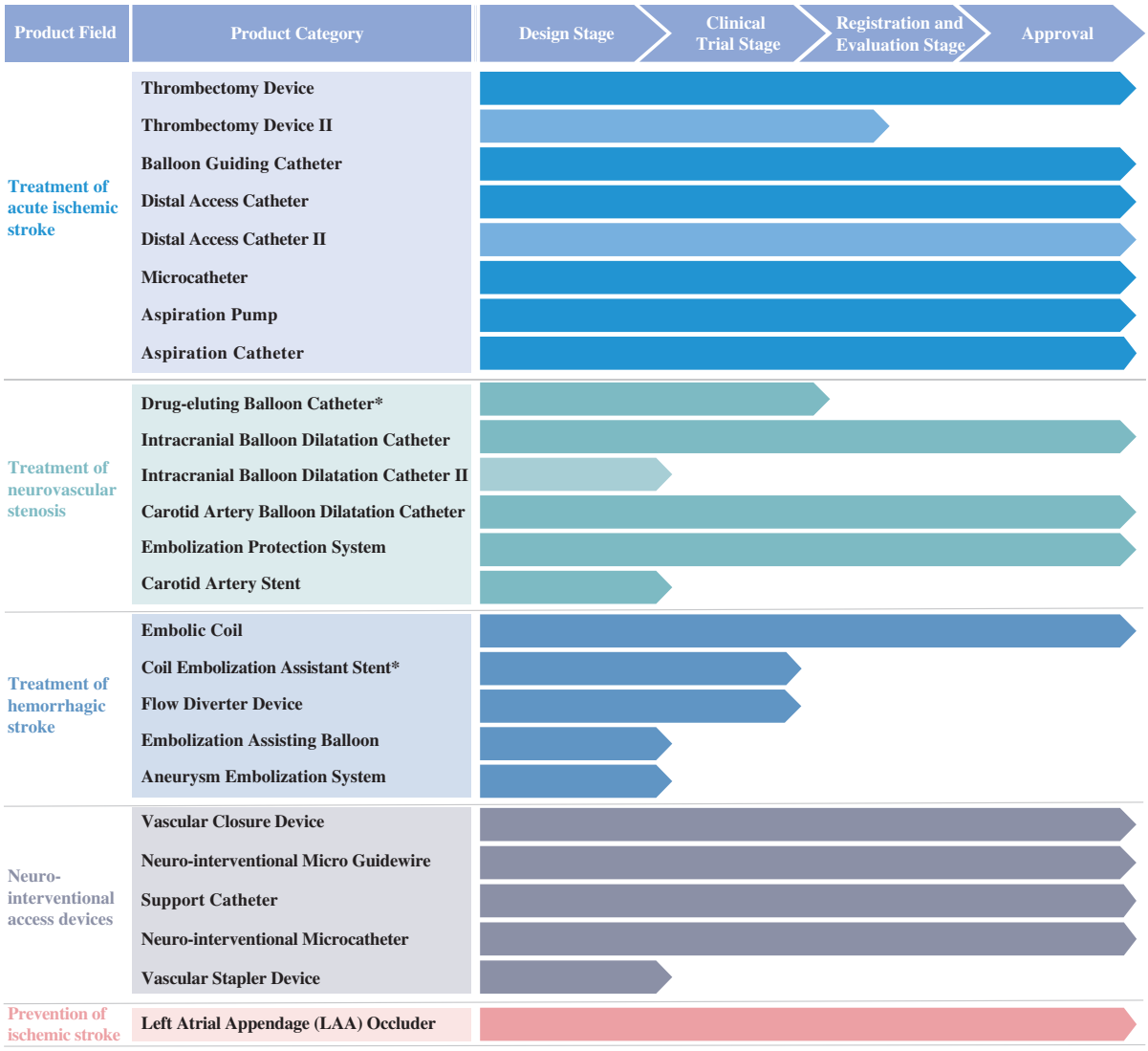
In the first half of 2022, the Company obtained NMPA approvals for another six new products. As of June 30, 2022, a total of 15 neuro-interventional device products of the Company has been approved, covering various types of neuro-interventional procedures for stroke treatment and prevention. In the first half of 2022, the Company incurred research and development expenses of RMB60.9 million, representing a year-on-year increase of 88.0%. In the pipeline of product candidates, intracranial neuro drug-eluting balloon and coil embolization assistant stent are eligible for NMPA green channel. The products mentioned above, together with the flow diverter device in clinical trial stage, are expected to further enhance the competitiveness of the Company's neuro-interventional device portfolio after launch.

In terms of commercialization, we have a sales network of more than 100 distributors in China's neuro-interventional market, covering all provinces nationwide other than Hong Kong, Macao and Taiwan, laying a solid foundation for the market-access and sales growth of the new products after the launch. The Company elaborately built certain academic communication platforms including "Weilai Shuyuan (瑋來書院)" and "Jingbang Lundao (經邦論道)", which contribute to our brand image and influence in the market through diversified channels and digital media. In the second half of 2022, newly approved products will continue to be put into the market, which will help the Company to further expand the coverage of terminal hospitals and meet the huge domestic demand for primary care.

Products and Pipeline

As of the date of this announcement, we have a complete neuro-interventional portfolio including 15 NMPA 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. Meanwhile, we are launching pioneering projects of innovative product candidates in Cardiac intervention and other emerging therapeutic fields with high potential growth market.

The following diagram summarizes the development status of our neuro-interventional pipeline as of the date of this announcement:



* Eligible for NMPA Green Channel

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.

Except for Captor, our **Distal Access Catheter, Microcatheter, Balloon Guiding Catheter, Intracranial Thrombosis Aspiration Catheter and Aspiration Pump** for the treatment of ischemic stroke have 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 are preparing to submit 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, the registration clinical trials of our coil embolization assistant stent are being conducted. 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 at the date of this announcement, the registration clinical trials of our flow diverter devices are being conducted.

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 expected to commence 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 research and development aims to build a high-quality product portfolio with market competitiveness. Capitalizing on existing research and development 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 diverse clinical needs.

As of the date of this announcement, we had 67 registered patents in China, including 20 invention patents, 43 utility models and 4 industrial design patents. As of the date of this announcement, we also had 180 pending patents applications in China, including 142 invention patents, 33 utility models and 5 design patents.

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 a sales network of more than 100 distributors in China's neuro-interventional market, covering all provinces nationwide other than Hong Kong, Macao and Taiwan.

Meanwhile, academic communication platforms elaborately built by us including "Weilai Shuyuan (瑋來書院)" and "Jingbang Lundao (經邦論道)" 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.

Intellectual Property Infringement Claims

In April 2021, we were notified by the Intermediate Court of Ningbo City, Zhejiang Province (the "**Court**") in relation to 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.

The Court was informed that the two patents on which the intellectual property infringement claims were based were held to be invalid by China National Intellectual Property Administration. Accordingly, the Court ruled to dismiss relevant intellectual property infringement claims on May 31, 2022.

Impact of the COVID-19 Outbreak

The management of the Company currently expected that clinical trials in Mainland China will not be significantly affected by the outbreak of COVID-19. The Directors believe that, based on the information available as of the date of this announcement, the outbreak of COVID-19 would not result in a material disruption to the Group's business operations or a material impact on the financial position or financial performance of the Group.

It is uncertain when, and whether, COVID-19 could be contained. The above analysis is made by our management team based on currently available information concerning COVID-19. Management of the Company cannot guarantee that the outbreak of COVID-19 will not further escalate or have a material adverse effect on our results of operations.

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 for highly reliable supply of products;

- Develop a full suite of innovative medical devices and solutions in the cardiac interventional device market to form a second business unit with a competitive commercialized product portfolio in addition to our neuro-interventional business; and

- Promote the development of innovative medical devices in emerging therapeutic fields with high potential growth market.

II. FINANCIAL REVIEW

For six months ended June 30, 2021 and 2022, we narrowed net losses to RMB66.8 million from RMB93.7 million. It is highly possible to incur net losses in the near future as we continue to invest in R&D of, seek regulatory approval for, and commercialize our pipeline.

Revenue

For six months ended June 30, 2022, all our revenue was generated from the sales of our commercialized neuro-interventional devices.

Revenue increased by 154.6% from RMB30.1 million for six months ended June 30, 2021 to RMB76.7 million for six months ended June 30, 2022. The increase in revenue was mostly attributable to the sales growth of our ischemic stroke thrombectomy devices and intracranial stenosis treatment devices commercialized in 2021.

Cost of Sales

Cost of sales increased from RMB11.1 million for six months ended June 30, 2021 to RMB25.8 million for six months ended June 30, 2022, 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 RMB19.1 million for six months ended June 30, 2021 to RMB50.9 million for six months ended June 30, 2022. Gross profit margin is calculated as gross profit divided by revenue. Our gross profit margin increased from 63.2% for the six months ended June 30, 2021 to 66.3% for the six months ended June 30, 2022, primarily attributed to increased production volume, and the increasingly mature manufacturing techniques.

Other Income and Gains

Other income and gains increased from RMB7.0 million for six months ended June 30, 2021, to RMB21.6 million for six months ended June 30, 2022, primarily attributable to (i) the increase in our government grants; and (ii) increase in bank interest income as a result of the increase in cash and bank balances in relation to our proceeds from the Global Offering.

Research and Development Costs

Research and development costs increased from RMB32.4 million for the six months ended June 30, 2021, to RMB60.9 million for the six months ended June 30, 2022, primarily due to the increase in research and development costs incurred for the advancement of our pipeline candidates.

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

	Six months ended June 30, 2022 (Unaudited)		Six months ended June 30, 2021 (Unaudited)	
	RMB million	***%***	*RMB million*	*%*
Staff costs	**24.0**	**39.4**	13.3	41.1
Depreciation and amortization	**4.5**	**7.4**	1.4	4.3
Third party contracting costs	**19.4**	**31.9**	11.5	35.5
Raw materials and consumables	**9.1**	**14.9**	4.8	14.8
Others	**3.9**	**6.4**	1.4	4.3
Total	**60.9**	**100.0**	32.4	100.0

Administrative Expenses

Administrative expenses decreased from RMB48.6 million for six months ended June 30, 2021 to RMB38.3 million for six months ended June 30, 2022, primarily attributed to a decrease in the one-off equity-settled share award expenses which was partially offset by an increase in professional service fees.

Selling and Distribution Expenses

Selling and distribution expenses increased from RMB18.4 million for six months ended June 30, 2021 to RMB36.0 million for six months ended June 30, 2022, primarily attributed to increasing staff costs as the sale forces expand.

Other Expenses

For six months ended June 30, 2022, we incurred other expenses of RMB0.5 million, which was primarily in relation to donations to charity.

Finance Costs

Finance costs decreased from RMB1.2 million for six months ended June 30, 2021, to RMB1.0 million for six months ended June 30, 2022, primarily due to the decrease in the interest on restricted share repurchase obligations.

Listing Expenses

For six months ended June 30, 2022, we did not incur listing expenses, as compared to RMB17.4 million for six months ended June 30, 2021.

Gearing Ratio

Gearing ratio is calculated by dividing total debt by total equity multiplying by 100.0%. As of June 30, 2022, our gearing ratio increased to 3.3% from 3.1% as of December 31, 2021.

Liquidity and Financial Resources

Since our inception, we mainly relied on capital contributions by our shareholders and equity financing as the major sources of liquidity. We also generated cash 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 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, 2022 were RMB997.0 million, representing a decrease of RMB220.7 million compared to RMB1,217.7 million as of December 31, 2021.

Our net current assets as of June 30, 2022 were RMB1,158.5 million, as compared to RMB1,276.9 million as of December 31, 2021.

Capital Expenditure

For six months ended June 30, 2022, our total capital expenditure amounted to approximately RMB23.8 million, which was used in the purchase of equipment, machinery and software.

Contingent Liabilities

As of June 30, 2022, the Group did not have any material contingent liabilities.

Significant Investments, Material Acquisitions and Disposals

On February 8, 2022, Weiqi Medical, Ms. Zhang Yanxia and Ms. Li Jun (together, the "**Vendors**"), IasoCardiac Medical, Mr. Li Feng and Pingxiang Rong Jiabao Business Consulting Partnership (Limited Partnership), entered into an agreement pursuant to which (i) the Vendors agreed to sell, and Weiqi Medical agreed to acquire, 36% of the equity interest in IasoCardiac Medical at a consideration of RMB4,800,000 (equivalent to approximately HK$5,884,011) (the "**Acquisition**"), and (ii) Weiqi Medical agreed to make a capital injection of RMB30,000,000 (equivalent to approximately HK$36,775,071) into IasoCardiac Medical in exchange for RMB542,636 of registered capital of IasoCardiac Medical (the "**Capital Injection**").

As of June 30, 2022, the Acquisition and the Capital Injection had been completed, and Weiqi Medical held 44.96% of the shares of IasoCardiac Medical. The Acquisition and the Capital Injection were satisfied by the internal resources of the Group other than the proceeds raised from the Company's Global Offering.

Pledge of Assets

As of June 30, 2022, 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, 2022, we had 472 full-time employees in total, who were all based in China. 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, 2022.

INTERIM DIVIDEND

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

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, 2022. 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, 2022.

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 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, 2022.

Under code provision C.2.1, 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 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, 2022.

The Audit Committee, together with the management of the Company, considers that the interim financial results for the six months ended June 30, 2022 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, 2022 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 2022 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"	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 "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" 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 Hong Kong Stock Exchange (Stock Code: 6609)
"Director(s)"	the director(s) of the Company
"Global Offering"	has the meaning as ascribed to it under the Prospectus
"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 Hong Kong 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
"IasoCardiac Medical"	IasoCardiac Medical Technology Co., Ltd.* (上海御瓣醫療科技有限公司), a company established in the PRC with limited liability
"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 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"	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 published by the Company on August 10, 2021 in relation to the Global Offering
"Reporting Period"	the six months period from January 1, 2022 to June 30, 2022
"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
"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 U.S.
"Weiqi Medical"	Shanghai Weiqi Medical Devices Co., Ltd. (上海瑋啟醫療器械有限公司), a limited liability company established in the PRC on February 4, 2021, a whollyowned subsidiary of our Company
%	per cent

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

Shanghai, August 31, 2022

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 Gang; and the independent non-executive Directors are Mr. Guo Shaomu, Mr. Feng Xiangqian and Mr. Gong Ping.

* *For identification purposes only*