LEPU SCIENTECH MEDICAL TECHNOLOGY (SHANGHAI) CO., LTD.*

樂普心泰醫療科技(上海)股份有限公司

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

(Stock Code: 2291)

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

The Board is pleased to announce the unaudited consolidated financial results of the Group for the six months ended June 30, 2023, together with the comparative figures for the six months ended June 30, 2022 as below.

FINANCIAL HIGHLIGHTS

- Revenue increased by 33.0% from RMB124.8 million for the six months ended June 30, 2022 to RMB165.9 million for the six months ended June 30, 2023.

- Gross profit increased by 34.8% from RMB109.5 million for the six months ended June 30, 2022 to RMB147.5 million for the six months ended June 30, 2023.

- Research and development expenses increased by 36.5% from RMB19.6 million for the six months ended June 30, 2022 to RMB26.8 million for the six months ended June 30, 2023.

- Net other income (the net of other income and other gains/losses) of RMB5.0 million for the six months ended June 30, 2023 was recorded compared to a net other losses (the net of other income and other gains/losses) of RMB18.3 million for the six months ended June 30, 2022.

- Profit attributable to owners of the Company increased by 213.7% from RMB24.3 million for the six months ended June 30, 2022 to RMB76.1 million for the six months ended June 30, 2023.

- The non-IFRS Adjusted Net Profit for the six months ended June 30, 2023 was RMB86.5 million.

BUSINESS REVIEW

As a pioneer in the structural heart disease interventional medical devices industry in China and a domestic leading supplier of medical devices, such as CHD occluders, we have been focusing on the research and development, manufacture and commercialization of structural heart disease interventional medical devices, and have also expanded into the cardiac mechanical circulatory support and other medical devices frontier fields, and are committed to providing safe, effective, innovative and comprehensive medical solutions.

As of the date of this announcement, we had a total of 20 marketed occluders and accessory products, eight products under registration review and preparation for registration, and 27 product candidates in various stages of research and development such as occluders, heart valves and procedural accessories and mechanical circulatory support. The following chart summarizes the development status of our product portfolio up to the date of this announcement:

Product		Pre-clinical	Clinical Trial	Registration	Commercialization
Atrial septal defect ("**ASD**") occluder	MemoPart® ASD occluder (Double-rivet)				Commercialized
	MemoPart® ASD occluder (Single-rivet)				Commercialized
	MemoCarna® Oxide coating ASD occluder with single-rivet				Commercialized
				Preparation for CE registration materials	
	MemoSorb® Biodegradable ASD occluder ★			NMPA registration review in progress	
Ventricular septal defect ("**VSD**") occluder	MemoPart® VSD Occluder (Double-rivet)				Commercialized
	MemoPart® VSD Occluder (Single-rivet)				Commercialized
	MemoCarna® Oxide coating VSD occluder with single-rivet				Commercialized
				Preparation for CE registration materials	
	MemoSorb® fully-degradable occluder systems ★				Commercialized
		Preparation for initiating of overseas clinical trials			

Product		Pre-clinical	Clinical Trial	Registration	Commercialization
Patent ductus arteriosus ("**PDA**") occluder	MemoPart® PDA occluder (Double-rivet)				Commercialized
	MemoPart® PDA occluder (Single-rivet)				Commercialized
	MemoCarna® Oxide coating PDA occluder				Commercialized
					CE registration review in progress
Patent foramen ovale ("**PFO**") occluder	MemoPart® PFO Occluder (Double-rivet/Single-rivet)				Commercialized
	MemoSorb® Biodegradable PFO occluder ★				NMPA registration review in progress
	NeoSorb® Bioabsorbable PFO Occluder				Mass clinical
Left atrial appendage ("**LAA**") occluder	MemoLefort® LAA occluder systems				Commercialized
	Bio-Lefort® Biodegradable LAA occluder ★				Mass clinical
Aortic valve products	ScienCrown® Transcatheter aortic valve replacement ("**TAVR**") system ★				Clinical follow-up
					CE animal test
	ScienMelon® Artificial heart valve with polymer leaflets for transcatheter implantation ★				Animal test
	ScienChute® Transcatheter aortic valve stenosis therapy system				Design stage
	ScienChute® Pulsed acoustical generator				Design stage
	Transcatheter aortic valve system (balloon dilation)				Animal test
	Aortic valve perfusion system				Design stage
Mitral valve products	MemoChord® Transapical mitral valve repair system (chordal) ("**TMVCRS**")				FIM
	MemoClip-A® Transapical mitral valve clip repair ("**TMVr-A**") system ★				Mass clinical
	Transcatheter annulus repair system				Clinical preparation stage
	MemoClip-F® Transfemoral mitral valve clip repair ("**TMVr-F**") system				Clinical preparation stage
	Transcatheter mitral valve replacement ("**TMVR**") system				Animal test
	Transcatheter papillary muscle repair system				Animal test

Product		Pre-clinical	Clinical Trial	Registration	Commercialization
Tricuspid valve product	MemoClamp® Transcatheter tricuspid valve repair system	Design stage			
	Transcatheter tricuspid valve replacement system	Design stage			
Pulmonary valve product	Transcatheter pulmonary valve replacement system	Design stage			
Atrial septal puncture and procedural accessories	RF-Lance® Radiofrequency puncture devices ★	NMPA registration review in progress			
	RF-Lance® Disposable radiofrequency atrial septal puncture needles ★	NMPA registration review in progress			
	Disposable atrial septal puncture systems	NMPA registration review in progress			
	MemoPart® Interventional delivery system	Commercialized			
	GuiBend® Integrated interventional delivery system	Commercialized			
		CE registration review in progress			
	GuiFinder® Occluder delivery system	Commercialized			
	GuiFlex® Integrated interventional delivery sheath	Commercialized			
	Gruiser® Interventional delivery system	Commercialized			
	G-Cruiser® Interventional delivery system	Commercialized			
	MemoPart® Snare	Commercialized			
	Multiple-loop Snare	NMPA registration review in progress			
	SimoMelon® Balloon dilatation catheter for aortic valve ★	Preparation for registration materials			
	Disposable introducing sheath	Commercialized			
	Thrombus protection device	Animal test			
	StarCross® Disposable delivery sheath	Preparation for registration materials			
	Vascular closure device system	Animal test			
	Transvalvular guide wires	NMPA registration review in progress			

Product		Pre-clinical	Clinical Trial	Registration	Commercialization
Interatrial shunt device	Interatrial shunt device I	FIM			
	Interatrial shunt device II (Biodegradable)	Animal test			
	FireyDeva® Interatrial shunt device III (Radiofrequency ablation shunt device)	Animal test			
	FireyDeva® Radiofrequency ablation device (Device)	Animal test			
Mechanical circulatory support products	Transcatheter left ventricular support device ★	Animal test			
	Coronary protection support device ★	Design stage			
	Expandable left ventricular support device ★	Design stage			

Note:

★: *Key projects of the Company*

The business segments of the Company maintained a sound development trend overall, achieving stable growth in its revenue. For the six months ended June 30, 2023, the Company achieved revenue of RMB165.9 million, representing a period-on-period increase of 33.0% from the six months ended June 30, 2022; profit attributable to owners of the Company of RMB76.1 million for the six months ended June 30, 2023, representing a period-on-period increase of 213.7% from the six months ended June 30, 2022; net cash flow generated from operating activities of RMB61.7 million for the six months ended June 30, 2023, representing a period-on-period increase of 17.1% from the six months ended June 30, 2022. As of June 30, 2023, the total assets of the Group were RMB1,890.1 million, representing an increase of 4.4% from the beginning of the Reporting Period , and the net assets were RMB1,834.4 million, representing an increase of 5.2% from the beginning of the Reporting Period.

CHD Occluder Products

As at the date of this announcement, the Group owned 10 commercially available CHD occluder products, among which, MemoCarna® III oxide coating single-rivet occluder series products have fast become the backbone of the CHD occluder products business after its approval for marketing in 2020. The MemoSorb® IV fully-degradable occluder systems have been also rapidly commercialized and become the Group's flagship product in the CHD field upon its approval for marketing in 2022. Leveraging on the long-term technology accumulation, the rapid growth trend of the Group's business has been established through technology upgrading, products iteration and original technology. This is the cornerstone for us to maintain our leading position in the field of CHD interventional therapy and to continue to drive.

In line with our philosophy of "No Implantation for Intervention", the Group continued to promote the research and development of biodegradable technology. Our fourth generation MemoSorb® biodegradable ASD occluder product candidate has completed its clinical trial stage, registration application of which has been submitted to the NMPA for approval in the second quarter of the year and which is expected to receive the approval from the NMPA and will be available for sale in the second quarter of 2024.

PFO and LAA Occluder Products

Our first generation cardioembolic stroke prevention products, being LAA and PFO occluder products, were successfully commercialized in 2020 and 2012, respectively.

Our second generation cardioembolic stroke prevention product candidates have applied our biodegradable technology creatively, of which, the MemoSorb® biodegradable PFO occluder product candidate is in the registration process and is expected to be approved by the NMPA within 2023. Bio-Lefort® biodegradable LAA occluder product candidate has successfully completed its pre-clinical type inspection stage and animal test stage as planned and officially entered the stage of multi-center clinical trial enrollment.

Heart Valve Product Candidates

The Company has built out 16 heart valve product candidates, covering field such as aortic value, mitral value, tricuspid value and pulmonary value. Our TAVR system has been successfully completed its clinical trial enrolment and follow-up as planned. We plan to submit a registration application to the NMPA by the end of 2023. ScienCrown® valve has distinct structural differences from the previously marketed domestic self-expanding valve and foreign balloon dilation valve. As a short stent self-expanding valve, it is featured with smooth pre-bending over the arch, release coaxial, stable expansion, good support and 100% recovery under working condition of artificial valve, etc., which addressed the pain points of clinical demand in an optimal manner, could bring a new and achievable standard of care to patients and provide a better clinical experience in valve performance and prognosis. After marketing of the product, through differentiated competition method, we expect that it will optimize competitive layout of the Company in the field of structural heart disease, bring more excellent products to clinical-end and also generate greater revenue to the Company. Our transapical mitral valve clip system is currently in the final stage of clinical trial enrollment with satisfactory follow-up results. We will accelerate the progress of subsequent clinical trial enrolment and we plan to submit a registration application to the NMPA in the first half of 2024. We drew on the extensive experience from clinicians in respect of transcatheter mitral valve clip system and conducted innovation and optimization in the product design, enabling the design and performance of the product much more acclimated to the disease characteristics of China patients and the usage habits of China physicians. It is currently in the pre-clinical preparation stage and is about to initiate the clinical trials. Our self-developed TMVR system has completed the implantation in the animal and the follow-up of 6 months after surgery, with satisfactory results, and it is about to progress into the stage of type inspection simultaneously.

Mechanical Circulatory Support Products

The Company has expanded into the field of mechanical circulatory support ("**MCS**") devices, which are designed to provide temporary or long-term support to patients requiring cardiac assisted power, and are committed to providing safe, effective and innovative medical solutions for patients and contributing to the cause of human health. The portfolio of our MCS device product line covers both short- and long-term products, which are designed to replace or assist the pumping function of the ventricles. The portfolio of our MCS device product line includes transcatheter ventricular support system, high-risk PCI ventricular support system, expandable trochanteric ventricular support system and wholeheart support system. In particular, the transcatheter left ventricular support system suitable for left ventricular support is in the sample preparation stage for preclinical type inspection, and expandable trochanteric ventricular support system and high-risk PCI ventricular support system for patients requiring low-flow support or high-risk PCI patients will progress into the stage of type inspection in the near future.

Pathway Products

Pathway products mainly include CHD occluder products and procedural accessories for heart valve, and also include atrial septal radiofrequency puncture product candidates and others.

Occluders and accessory products are an important component parts of occlusion surgery. As at the date of this announcement, the Group has owned 8 commercially available occluder related procedural accessories, and in line with the increasing commercialization level of occluder products, the accessory products have also achieved considerable revenue. Our Snare II product is expected to obtain a registration certificate and list for sale in the second half of 2023.

The Company owned 6 types of valve related procedural accessories, including, among others, thrombosis protection device, balloon dilatation catheter for aortic valve and vascular closure device system. In particular, we have completed the product R&D design work for vascular closure device system with innovative design structure, which can reduce vascular complications and provide physicians with excellent ease-to-use experience. It is currently in the stage of preparation for inspection, and is about to submit it for inspection.

OUTLOOK

Looking forward, we will continue to be committed to provide safe, effective, innovative and comprehensive medical solutions for patients with structural heart disease and cardiac circulatory disorder by adhering to the corporate mission of "shape better lives with heartfelt care" (由心關懷, 成就新生).

We will continue to develop new technologies and focus on the core technologies and product development targeting structural heart diseases to enrich our product portfolio to cover a full range of treatment options for various field of structural heart disease. Furthermore, we will continue to promote technology in a number of aspects, including design and concept innovation, material innovation, structural design innovation, production process optimization, to further enhance the innovation, functionality and reliability of our products. Meanwhile, we firmly believe that biodegradable technology is one of the important technology applications for medical device products in the future, and will greatly drive the overall upgrade and transformation of the medical device industry as widely applied to our occluder product and other product candidates, which positions us well to capitalize on the significant market opportunities, to further explore existing market and expand into incremental market.

In the CHD interventional devices field, we will leverage our established market advantages to continue to increase the speed of iteration of our innovative products and drive rapid business growth. Meanwhile, we will also continue to promote the research and development process of our biodegradable occluder product candidates.

In the cardioembolic stroke prevention field, we will continue to promote the research and development process of our biodegradable PFO occluder product candidates and LAA occluder product candidates. We believe, upon application of the biodegradable technology to such field, we are well positioned to capitalize on and share the significant growth potential in the fast-growing and low-penetration domestic market by leveraging our early-mover advantages, excellent product features, and well-established sales channels, which will put us in a superior market competitive position in such field.

In the valve stenosis and reflux therapy field, we will rely on our existing technology platform for valve products, further consolidate and strengthen our technological advantages, continue to promote concept of "Tool Box", and focus on the development of valve products with great medical demand and promising market while covering the full product line of valves. Among them, we will accelerate the progress of R&D of the TMVr-F system and the TMVR system for the treatment of mitral valve regurgitation disease, in order to achieve full coverage of mitral valve disease treatment and address the increasing clinical demand from patients and physicians. We will accelerate the advancement of iterative new products based on ScienCrown® transcatheter aortic valve system for Conformité Européenne ("**CE**") Certificate registration clinical trials, the special dry valve of such iterative products, upon processing by adopting the self-developed technology, has the advantages of stronger anti-calcification ability, better hemodynamic effect and longer service life. In addition, we will accelerate the research and development of the surgically implantable sutureless heart valve, which is already in type inspections and animal tests stage. We are also developing a transcatheter implantable aortic valve system for patients with simple aortic regurgitation. These two aortic valve products complement the ScienCrown® transcatheter aortic valve replacement system to provide optimal treatment for patients with different types of TAVR disease. Our artificial heart valve with polymer leaflets for transcatheter implantation uses durable and stable polymer materials instead of pericardium material to make leaflets to further improve the durability and biocompatibility of the artificial heart valve. Currently, we have completed the follow-ups and information collection within six months after implantation and surgery in animals, which presented promising results. In-vitro durability tests have been completed for more than 200 million times. If the testing targets of valve are in good condition, such products will progress into the stage of type inspection soon.

Cardiac mechanical circulatory support is a life support technology, and has become an important "bridge" treatment for patients with acute cardiac event and end-stage heart failure after decades of development, which also has more extensive clinical application. It is estimated that 13.7 million patients in China and more than 64 million patients globally suffered from cardiac underpower, and about 50% of them will die within five years after diagnosis. The global market scale of MCS devices is expected to grow at a compound annual growth rate of 10% or above from 2021 to 2028, with a market value expected to reach USD3.4 billion in 2025. The Company, as a cardiovascular intervention medical devices company with strong spirit of technological innovation, has been dedicated to expanding into the blue ocean market of MCS and protective PCI. The Company is developing a series of product candidates, which may help patients, after marketing, improve their quality of life and survival rate. Meanwhile, as a multidisciplinary composite technology, such products will fully demonstrate our technological accumulation, ensure that the Company continues to seize the technological highland in medical devices field, and ensure the progressive development of the Company's future product lines and the sustainable development of the Company's business.

In the structural cardiology pathway products field, we have manufactured a number of products, and two pathway products have obtained certificates during the Reporting Period. There is no vascular closure device system launched on the market in China, and the market size of vascular closure devices in China is expected to increase from RMB500 million in 2019 to RMB4.5 billion in 2023 at a compound annual growth rate of 22.0%, with aortic valve intervention technology being the most mature market development and the largest number of patients being those with mitral regurgitation. The market for mitral valve and tricuspid valve interventions will gradually expand, and the demand for large-caliber vascular closure devices will also increase in line with the technology development.

The transseptal procedures is one of the key techniques in cardiac intervention therapy. Compared with traditional puncture techniques, radiofrequency puncture has higher success rate and safety, and the learning curve is short, so it can quickly complete the replacement of mechanical needles. The transseptal procedures has been used for mitral valve repair, LAA occluder, and other procedures to obtain left heart access by transfemoral access. According to the statistics, there are more than 300,000 puncture operations in the United States every year, and the potential treatment population in China is more than 10 million, so the future market prospect is considerable. At present, no radiofrequency puncture products are launched in China, and the application of our radiofrequency atrial septal puncture system is in the advanced position, which will facilitate the Company to enter into the market at a rapid pace and gain the market opportunities. Such product is expected to be a blockbuster product in pathway products of the Company, and make the Company capture a new blue ocean market.

We will strengthen our marketing team building, explore potential marketing channels, continue to expand our sales network in China and continue to build our brand reputation among doctors and patients. We will continue to strive to promote our brand awareness and influence in the industry and academia, to solidify and strengthen our communication, exchange and interaction with research institutions, hospitals, doctors and KOLs and obtain valuable feedback from them, and will collect more market information and continuously enhance the Company's product capability to better promote its sales business.

In terms of the overseas business, we will continue to expand our overseas sales channels with global insight, and build up a good reputation of our products with rigorous and pragmatic attitude, to enhance our brand awareness in the global market. We will keep abreast with the development trend and clinical demand in overseas markets in a timely manner, and formulate a plan for overseas clinical trial and registration in a reasonable manner, to advance the commercialization process of innovative products such as biodegradable occluder series and valve series in overseas markets in due course. The Company will make great efforts to explore the market potential of its existing products so as to expand the market penetration of its existing products.

FINANCIAL REVIEW

Revenue

Our revenue is mainly derived from the sales of medical devices through distributors and direct sales.

Our revenue increased by 33.0% from RMB124.8 million for the six months ended June 30, 2022 to RMB165.9 million for the six months ended June 30, 2023. The following table sets forth a breakdown of our revenues by major product for the six months ended June 30, 2022 and 2023.

	Six months ended June 30,				
	2023		2022		Change
	RMB'000	***%***	*RMB'000*	*%*	*%*
CHD occluder products	**125,185**	**75.4**	90,699	72.7	38.0
— ASD occluder products	**95,565**	**57.6**	71,270	57.1	34.1
— VSD occluder products	**18,491**	**11.1**	10,287	8.2	79.8
— PDA occluder products	**11,129**	**6.7**	9,142	7.3	21.7
Occluder related procedural accessories	**33,778**	**20.4**	27,060	21.7	24.8
— Interventional delivery systems	**22,830**	**13.8**	18,216	14.6	25.3
— Snares	**10,948**	**6.6**	8,844	7.1	23.8
PFO and LAA occluder products	**6,817**	**4.1**	6,980	5.6	(2.3)
— PFO occluder products	**3,853**	**2.3**	3,215	2.6	19.8
— LAA occluder products	**2,964**	**1.8**	3,765	3.0	(21.3)
Other products	**154**	**0.1**	66	0.1	132.4
Total	**165,934**	**100.0**	124,804	100.0	33.0

CHD occluder products

For the six months ended June 30, 2022 and 2023, a majority of our revenue was generated from sales of CHD occluder products. Revenue generated from sales of CHD occluder products increased by 38.0% from RMB90.7 million (representing 72.7% of sales revenue in the corresponding period) for the six months ended June 30, 2022 to RMB125.2 million (representing 75.4% of sales revenue in the corresponding period) for the six months ended June 30, 2023, as we continued to grow our business. Revenue generated from sales of CHD occluder products increased significantly, which was primarily attributable to the increased sales volume of our oxide-coated occluder products as they received broad market recognition, such products primarily include MemoCarna® ASD Occluder III, MemoCarna® PDA Occluder III and MemoCarna® VSD Occluder III. In addition, the sales revenue from fully biodegradable occluder, i.e. MemoSorb® VSD Occluder IV, also experienced significant increase.

Among our CHD occluder products, revenue generated from sales of ASD occluder products increased by 34.1% from RMB71.3 million for the six months ended June 30, 2022 to RMB95.6 million for the six months ended June 30, 2023, representing 57.1% and 57.6% of our revenue in the corresponding periods, respectively. Revenue generated from sales of ASD occluder products increased, which was primarily attributable to an increase in revenue generated from sales of MemoCarna® ASD Occluder III. Revenue generated from sales of VSD occluder products increased by 79.8% from RMB10.3 million for the six months ended June 30, 2022 to RMB18.5 million for the six months ended June 30, 2023, representing 8.2% and 11.1% of our revenue in the corresponding periods, respectively. Revenue generated from sales of PDA occluder products increased by 21.7% from RMB9.1 million for the six months ended June 30, 2022 to RMB11.1 million for the six months ended June 30, 2023, representing 7.3% and 6.7% of our revenue in the corresponding periods, respectively.

Occluder related procedural accessories

Revenue generated from sales of occluder related procedural accessories increased by 24.7% from RMB27.1 million for the six months ended June 30, 2022 to RMB33.8 million for the six months ended June 30, 2023, representing 21.7% and 20.4% of our revenue in the corresponding periods, respectively. Our occluder related procedural accessories primarily include interventional delivery systems and snares mainly related to CHD occluder products. Interventional delivery system is the largest source of our revenue generated from sales of occluder related procedural accessories. We also intend to gradually introduce other occluder related procedural accessories and heart valve related procedural accessories. The increase was primarily attributable to an increase in the sales volume of our various occluder products, and the sales volume of our related procedural accessories increased accordingly.

PFO and LAA occluder products

Revenue generated from sales of PFO and LAA occluder products decreased by 0.03% from RMB7.0 million for the six months ended June 30, 2022 to RMB6.8 million for the six months ended June 30, 2023, representing 5.6% and 4.1% of our revenue in the corresponding periods, respectively.

Other products

For the six months ended June 30, 2022 and 2023, we generated a small portion of our revenue from sales of other products, primarily including vascular plug and products with relatively low applicability or importance. Revenue generated from sales of other products only represented 0.05% and 0.09% of our revenue for the six months ended June 30, 2022 and 2023, respectively.

Cost of sales

Our cost of sales increased by 20.0% from RMB15.3 million for the six months ended June 30, 2022 to RMB18.4 million for the six months ended June 30, 2023. Our cost of sales primarily consisted of (i) raw materials and consumables; (ii) employee benefit expense; (iii) amortization of intangible assets; (iv) depreciation of property, plant and equipment; (v) transportation costs; (vi) utilities and office expenses; and (vii) others.

The following table sets forth our cost of sales by nature in absolute amounts and as percentages of our total cost of sales for the six months ended June 30, 2022 and 2023.

	Six months ended June 30,				
	2023		2022		Changes
	RMB'000	*%*	*RMB'000*	*%*	*%*
Raw materials and consumables	**8,623**	**46.9**	5,719	37.3	50.8
Employee benefit expense	**4,431**	**24.1**	4,667	30.5	(5.1)
Amortization of intangible assets	**3,276**	**17.8**	3,344	21.8	(2.0)
Depreciation of property, plant and equipment	**782**	**4.3**	782	5.1	0.0
Transportation costs	**613**	**3.3**	487	3.2	25.9
Utilities and office expenses	**555**	**3.0**	236	1.5	135.2
Others	**113**	**0.6**	87	0.6	29.9
Total	**18,393**	**100.0**	15,322	100.0	20.0

Our raw materials and consumables costs represent nitinol products and sheathes and other metal and plastic components used during the manufacturing process, which increased by 50.8% from RMB5.7 million for the six months ended June 30, 2022 to RMB8.6 million for the six months ended June 30, 2023, which was primarily attributable to the general increase in sales volume of various products in the first half of 2023, especially the percentage of oxide-coated products which have relevant high material costs and other new series products, resulting the significant increase of relevant material costs in the first half of 2023.

Our employee benefit expense decreased by 5.1% from RMB4.7 million for the six months ended June 30, 2022 to RMB4.4 million for the six months ended June 30, 2023, which was primarily attributable to our improvement in the process flow, and improvement in work efficiency by using machine knitting, which effectively reduced labor costs.

For the six months ended June 30, 2022 and 2023, our amortization of intangible assets remained basically stable at RMB3.3 million.

For the six months ended June 30, 2022 and 2023, our depreciation of property, plant and equipment remained basically stable at RMB0.8 million.

Our transportation costs increased by 25.9% from RMB0.5 million for the six months ended June 30, 2022 to RMB0.6 million for the six months ended June 30, 2023, which was primarily attributable to the general increase in sales volume of various products in the first half of 2023, resulting in an increase in our transportation costs.

Our utilities and office expenses increased by 135.2% from RMB0.2 million for the six months ended June 30, 2022 to RMB0.6 million for the six months ended June 30, 2023, which was primarily attributable to the concessions of certain property rents and property management fees due to the regional resurgence of COVID-19 in the first half of 2022, and no such concessions and these charges were back to normal levels in the first half of 2023.

Our other cost of sales primarily includes testing fees for production environment and fees for sterilization, which remained basically stable at RMB0.1 million for the six months ended June 30, 2022 and 2023.

Gross profit and gross profit margin

Our gross profit increased by 34.8% from RMB109.5 million for the six months ended June 30, 2022 to RMB147.5 million for the six months ended June 30, 2023. The increase in our gross profit was in line with the growth in our overall revenue. For the six months ended June 30, 2022 and 2023, our gross profit margin increased from 87.7% to 88.9%, which was primarily attributable to an increase in sales volume of oxide-coated occluder and fully biodegradable occluder products which have higher gross profit for the six months ended June 30, 2023, which drove up our overall gross profit.

Distribution expenses

Our distribution expenses primarily consisted of (i) employee benefits expense for our sales and marketing staff; (ii) marketing and consulting service fees; and (iii) travel expenses. Our distribution expenses increased by 34.4% from RMB16.6 million for the six months ended June 30, 2022 to RMB22.4 million for the six months ended June 30, 2023, which was primarily attributable to (i) the regional resurgence of COVID-19 in the first half of 2022, which was largely under control in 2023, and resulting an increase in marketing and consulting service fees of RMB2.8 million and an increase in travel expenses of RMB0.9 million due to an increase in offline market research, marketing promotion and travel activities, and (ii) an increase of RMB1.1 million in employee benefits expense.

General and administrative expenses

Our general and administrative expenses primarily consisted of (i) employee benefit expense for our administrative staff; (ii) depreciation and amortization; (iii) office and miscellaneous expenses; (iv) professional service fee; and (v) listing expenses (only applicable to the six months ended June 30, 2022). Our general and administrative expenses increased by 28.6% from RMB16.4 million for the six months ended June 30, 2022 to RMB21.1 million for the six months ended June 30, 2023, which was primarily attributable to an increase in employee benefit expenses of RMB2.9 million; an increase in professional service fees of RMB5.8 million, which was mainly due to related expenses reflected in listing expenses in the corresponding period last year; partially offset by a decrease in listing expenses of RMB5.1 million.

Research and development expenses

Our research and development expenses consisted of (i) employee benefit expense for our research and development staff; (ii) products testing, pre-clinical trial and animals studies fees; (iii) raw materials and consumables expenses; (iv) depreciation; (v) utilities and office expenses; and (vi) other expenses. Our research and development expenses increased by 36.5% from RMB19.6 million for the six months ended June 30, 2022 to RMB26.8 million for the six months ended June 30, 2023, which was primarily attributable to an increase in products testing, pre-clinical trial and animals studies fees of RMB2.4 million, which was due to the relatively large number of R&D projects for type inspection or animal studies in the first half of 2023 as compared with the first half of 2022; an increase in depreciation cost of RMB1.0 million, which was mainly due to an increase in depreciation of property, plant and equipment as a result of the purchase of new equipment by the Company to meet the needs of R&D; an increase in employee benefit expense of RMB2.3 million; and an increase in other expenses of RMB1.0 million, which was mainly attributable to an increase in R&D-related travel expenses and training expenses in the first half of 2023 due to the regional resurgence of COVID-19 in the first half of 2022, which was largely under effective control in 2023.

Net provision of impairment losses on financial assets

Our net provision for impairment losses on financial assets primarily represented impairment loss provision for the period on trade receivable and other receivables. Our net provision for impairment losses on financial assets decreased by 92.9% from RMB4.2 million for the six months ended June 30, 2022 to RMB0.3 million for the six months ended June 30, 2023, primarily due to less provision for credit losses recognised on trade receivables as a result of the gradual improvement in the collection of our trade receivables (while the collection was much impacted by the COVID-19 situation in the first half of 2022).

Net other income and gains/(losses)

Our other income and gains/(losses) primarily consisted of: (i) investment income on wealth management products; (ii) government grants; (iii) rental income from investment properties; (iv) exchange gains or losses; and (v) gains or losses from fair value changes of financial assets. We had net other income (the net of other income and other gains/losses) of RMB5.0 million for the six months ended June 30, 2023, and net other losses (the net of other income and other gains/losses) of RMB18.3 million for the six months ended June 30, 2022, which was primarily attributable to a decrease in net foreign exchange losses recognized of RMB24.0 million, primarily in relation to the retranslation of redemption liabilities denominated in US$ in the first half of 2022, partially offset by the decrease in government grants of RMB1.1 million.

Net finance income/(costs)

Our net finance income/(costs) primarily consisted of (i) bank interest income; (ii) interest expense on lease liabilities; and (iii) interest expense on redemption liabilities. We have net finance costs of RMB9.1 million for the six months ended June 30, 2022 and net finance income of RMB5.7 million for the six months ended June 30, 2023, which was primarily attributable to the recognition of interest expense on redemption liabilities of RMB10.5 million in the first half of 2022, and no relevant interest expense on redemption liabilities for the Reporting Period as the Company was successfully listed on the Stock Exchange where the preferred rights granted to the Pre-IPO Investors were lapsed and an increase in bank interest income of RMB4.2 million primarily due to the increase in the Group's cash and cash equivalents and fixed deposits.

Income tax expenses

Our income tax expenses increased by 954.5% from RMB1.1 million for the six months ended June 30, 2022 to RMB11.6 million for the six months ended June 30, 2023, which was primarily attributable to an increase in taxable profit.

Profit for the Reporting Period

As a result of the foregoing, our profit for the Reporting Period increased by 213.7% from a net profit of RMB24.3 million for the six months ended June 30, 2022 to a net profit of RMB76.1 million for the six months ended June 30, 2023.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The primary uses of cash are to fund the daily operations of the business of the Group. For the six months ended June 30, 2023, the Group principally used cash generated from its operations, financing activities and net proceeds from the Global Offering to meet its demand of capital expenditures and working capital. Going forward, the Company believes that its liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, and other funds raised from the capital markets from time to time. As of June 30, 2023, the Group had not used any financial instruments for hedging purposes.

Cash flows

As of June 30, 2023, our cash and cash equivalents were denominated in RMB, HK dollar, USD and Euro dollars. Our total cash and cash equivalents increased by 12.9% from RMB944.5 million as of December 31, 2022 to RMB1,066.3 million as of June 30, 2023, which was primarily attributable to the net cash generated from operating activities of RMB61.7 million and the net cash generated from investing activities of RMB63.9 million, partially offset by the net cash used in financing activities of RMB0.8 million and the exchange losses on cash and cash equivalents. A combination of which caused a net increase in cash and cash equivalents at the end of the Reporting Period.

Borrowings

As of June 30, 2022 and 2023, we had no outstanding balance of borrowings or unutilized banking facilities.

Net current assets

Our net current assets increased by 3.7% from RMB1,265.9 million as of June 30, 2022 to RMB1,312.8 million as of June 30, 2023. Our net current assets position as of the above dates was mainly attributable to our inventories, prepayments and other receivables, trade receivables, financial assets at fair value through profit or loss and cash and cash equivalents, partially offset by our trade and other payables, contract liabilities, current income tax liabilities and lease liabilities due within one year. The increase in our net current assets was primarily attributable to an increase in cash and cash equivalents balance of RMB121.8 million as a result of a combination of net cash inflows from our operating activities and investing and financing activities.

In addition to an increase in our cash and cash equivalents, the increase in net current assets was principally attributable to an increase in trade receivables of RMB10.5 million, and an increase in inventories of RMB6.8 million, partially offset by a decrease of RMB107.7 million in financial assets at fair value through profit or loss.

Material Acquisitions and Disposals and Significant Investments

We did not have any material acquisitions and disposals and significant investments during the six months ended June 30, 2023.

Pledge of Assets

As of June 30, 2023, we did not pledge any of our assets.

Future Plans for Material Investments or Capital Asset

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus, we did not have detailed future plans for material investments or capital assets.

Capital Expenditure

For the six months ended June 30, 2023, our total capital expenditure was approximately RMB29.8 million, decreased by 18.6% from RMB36.6 million for the six months ended June 30, 2022. Our capital expenditure primarily included our purchase of equipment, purchase of intangible assets and payment for capitalised research and development expenses. We funded these expenditures with cash generated from our operations and financing activities.

Capital Commitments

As of June 30, 2023, we had capital commitments of RMB0.6 million, which was a decrease of 53.8% from RMB1.3 million as of December 31, 2022, primarily in connection with purchase of equipment.

Contingent Liabilities

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

Foreign Exchange Risk Management

Our functional currency is RMB. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. We expose ourselves to foreign exchange risk because certain of our trade payables, trade receivables and cash and cash equivalents are denominated in foreign currencies. We will mitigate such a risk by constantly reviewing the economic situation and foreign exchange risk, and applying hedging measures when necessary.

Employee and Remuneration Policy

As of June 30, 2023, we had 236 full-time employees (December 31, 2022: 236), all of them were based in China. The total staff costs for the six months ended June 30, 2023 (including staff remuneration, bonuses, welfare cost and social insurance fees, etc.) amounted to approximately RMB48.1 million (including those capitalised staff costs of approximately RMB10.8 million).

We primarily recruit our employees through recruitment agencies, internal referrals and online recruiting channels, including our corporate website, job search websites and social networking platforms. We have adopted training protocols, pursuant to which we provide on-board and regular continuing trainings for our employees. As part of our human resources strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives.

Indebtedness

The following table sets forth the breakdown of our lease liabilities as of the dates indicated:-

	June 30, 2023	December 31, 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Lease liabilities	**3,903**	3,335

Key Financial Ratios

The following table sets forth our key financial ratios for the periods indicated:-

	Six months ended June 30,	
	2023	2022
Profitability ratios		
Gross profit margin	**88.9%**	87.7%
Net profit margin	**45.9%**	19.4%

	June 30, 2023	December 31, 2022
Liquidity ratio		
Current ratio	**25.5 times**	20.9 times
Gearing ratio	**2.9%**	3.6%

(1) The calculation of gross profit margin is based on gross profit for the period divided by revenue for the respective period and multiplied by 100.0%.

(2) The calculation of net profit margin is based on profit for the period divided by revenue for the respective period and multiplied by 100.0%.

(3) The calculation of current ratio is based on current assets divided by current liabilities as of period/year end.

(4) The gearing ratio is calculated based on the Group's total liabilities divided by total assets as of the end of the period/year.

Gross profit margin and net profit margin

Please refer to the section "Gross profit and gross profit margin" above for a discussion of the factors affecting our gross profit margin for the six months ended June 30, 2022 and 2023. The significant increase in the net profit margin is mainly due to the increase in the Group's net profit for the six months ended June 30, 2023.

Current ratio

Our current ratio was at 25.5 times and 20.9 times as of June 30, 2023 and December 31, 2022, respectively.

The increase in current ratio was primarily due to the increase in current assets and decrease in current liabilities as discussed in the section headed "Net current assets".

Non-IFRS Measure – Adjusted net profit

To supplement our consolidated financial information which is presented in accordance with IFRS, we set forth below our adjusted net profit as an additional financial measure which is not presented in accordance with IFRS. We believe this is meaningful because potential impacts of certain items which our management do not consider closely relevant to our operating performance have been excluded, and this would be useful for investors to compare our financial results directly with those of our peer companies.

Adjusted net profit eliminates the effect of the non-cash item, namely the share-based payment expenses. The term "adjusted net profit" is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the Reporting Period.

The following table reconciles our adjusted net profit for the Reporting Period indicated to the most directly comparable financial measure calculated and presented in accordance with the IFRS:

	Six months ended June 30, 2023 ***RMB'000***
Profit for the Reporting Period	**76,094**
Add: Share-based payment expenses	**10,451**
Non-IFRS Adjusted net profit	**86,545**

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

		Six months ended 30 June	
		2023	2022
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Audited)
Revenue	*5*	**165,934**	124,804
Cost of sales	*6*	**(18,393)**	(15,322)
Gross profit		**147,541**	109,482
Distribution expenses	*6*	**(22,353)**	(16,626)
General and administrative expenses	*6*	**(21,090)**	(16,402)
Research and development expenses	*6*	**(26,800)**	(19,637)
Net provision of impairment losses on financial assets		**(262)**	(4,169)
Other income and losses – net	*7*	**4,961**	(18,289)
Operating profit		**81,997**	34,359
Finance income		**5,817**	1,645
Finance costs		**(119)**	(10,698)
Finance income/(costs) – net		**5,698**	(9,053)
Profit before income tax		**87,695**	25,306
Income tax expense	*8*	**(11,601)**	(1,051)
Profit for the period		**76,094**	24,255
Other comprehensive income for the period, net of tax		**–**	–
Total comprehensive income for the period		**76,094**	24,255
Profit and total comprehensive income attributable to:			
– Owners of the Company		**76,094**	24,255
Earnings per share attributable to the owners of the Company (expressed in RMB per share)			
Basic and diluted earnings per share	*9*	**0.22**	0.07

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

	Note	As at 30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		**106,886**	92,978
Right-of-use assets		**4,238**	4,563
Investment properties		**22,579**	38,483
Goodwill		**48,282**	48,282
Intangible assets		**229,487**	204,608
Deferred income tax assets		**16,035**	15,581
Prepayments		**2,469**	3,238
Long-term bank deposits		**93,729**	72,396
Total non-current assets		**523,705**	480,129
Current assets			
Inventories		**64,225**	57,398
Trade receivables	*10*	**41,070**	30,615
Prepayments and other receivables		**43,553**	38,065
Financial assets at fair value through profit or loss	*11*	**150,405**	258,109
Restricted cash		**790**	790
Cash and cash equivalents		**1,066,339**	944,515
Total current assets		**1,366,382**	1,329,492
Total assets		**1,890,087**	1,809,621
EQUITY			
Equity attributable to owners of the Company			
Share capital		**346,750**	346,750
Other reserves		**1,292,354**	1,278,528
Retained earnings		**195,343**	119,249
Total equity		**1,834,447**	1,744,527

	Note	As at 30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		**2,096**	1,544
Total non-current liabilities		**2,096**	1,544
Current liabilities			
Trade and other payables	*12*	**29,524**	34,809
Contract liabilities		**14,673**	13,119
Current income tax liabilities		**7,540**	13,831
Lease liabilities		**1,807**	1,791
Total current liabilities		**53,544**	63,550
Total liabilities		**55,640**	65,094
Total equity and liabilities		**1,890,087**	1,809,621

NOTES

1 GENERAL INFORMATION

LEPU ScienTech Medical Technology (Shanghai) Co., Ltd. (the "Company", 樂普心泰醫療科技(上海)股份有限公司) was incorporated as a joint stock limited liability company in the People's Republic of China (the "PRC" or "China") on 29 January 2021. The address of the Company's registered office is Room 201, Building 41, No. 258, Xinzhuan Road, Songjiang District, Shanghai, the PRC.

The Company has completed its IPO and listing on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEx") on 8 November 2022.

The Company is an investment holding company. The Company and its subsidiaries (together referred as to the "Group") are principally engaged in manufacturing and sales of interventional treatment series occluders for defective congenital heart disease (缺損性先天性心臟病介入治療系列封堵器) and the research and development of biological valve (生物瓣膜) for heart disease.

The interim condensed consolidated financial information is presented in Renminbi ("RMB") and all amounts are rounded to the nearest thousand of Renminbi (RMB'000), unless otherwise stated.

The condensed consolidated interim financial information for the six months ended 30 June 2023 has been reviewed by the Company's auditor in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The independent auditor's review report to the Directors is included in the interim report to be sent to the shareholders.

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2023 (the "interim financial information") has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

3 ACCOUNTING POLICIES

The accounting policies adopted by the Group are consistent with those of the previous financial year and corresponding interim reporting period, except for the new or amended standards as set out below.

3.1 New or amended standards adopted by the Group

The Group has applied the following new or amended standards which are effective for financial period on or after 1 January 2023 in the interim financial information:

IFRS 17	Insurance Contracts
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

The adoption of these new or amended standards did not have any material impact on the accounting policies of the Group and the presentation of the interim financial information.

3.2 New or amended standards issued but not yet adopted

The following amended standards have been issued but not mandatory for reporting period ended on 30 June 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these amended standards, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

4 SEGMENT INFORMATION

Description of segments and principal activities

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resource and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

The CODM assessed the performance of the reportable operating segments mainly based on segment revenue, cost of sales, research and development expenses of each reportable operating segment. Thus, segment result would present revenue, cost of sales, research and development expenses and gross profit for each reportable operating segment, which is in line with CODM's performance review.

The Group's reportable operating segments are as follows:

Occluder Business

Occluder Business is primarily operated by Shanghai Shape Memory Alloy Co., Ltd. ("Shanghai Shape Memory Alloy"), which is engaged in the business of research, development and sales of interventional treatment series occluders for defective congenital heart disease.

Heart Valve Business

Heart Valve Business is primarily operated by the Beijing Branch of Shanghai Shape Memory Alloy, which is currently engaged in the business of research and development of heart valve medical devices.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The segment information provided to the Group's CODM for reportable segments for the respective period is as follows:

	Six months ended 30 June 2023		
	Occluder Business ***RMB'000*** **(Unaudited)**	**Heart Valve Business** ***RMB'000*** **(Unaudited)**	**Total** ***RMB'000*** **(Unaudited)**
Revenue	**165,934**	**–**	**165,934**
Cost of sales	**(18,393)**	**–**	**(18,393)**
Gross profit	**147,541**	**–**	**147,541**
Research and development expenses	**(13,298)**	**(13,502)**	**(26,800)**
Segment profit/(loss)	**134,243**	**(13,502)**	**120,741**
Unallocated items			
– Distribution expenses			**(22,353)**
– General and administrative expenses			**(21,090)**
– Net provision of impairment losses on financial assets			**(262)**
– Other income and losses – net			**4,961**
– Finance income – net			**5,698**
Profit before income tax			**87,695**

	Six months ended 30 June 2022		
	Occluder Business *RMB'000* (Audited)	Heart Valve Business *RMB'000* (Audited)	Total *RMB'000* (Audited)
Revenue	124,804	–	124,804
Cost of sales	(15,322)	–	(15,322)
Gross profit	109,482	–	109,482
Research and development expenses	(7,490)	(12,147)	(19,637)
Segment profit/(loss)	101,992	(12,147)	89,845
Unallocated items			
– Distribution expenses			(16,626)
– General and administrative expenses			(16,402)
– Net provision for impairment losses on financial assets			(4,169)
– Other income and losses – net			(18,289)
– Finance costs – net			(9,053)
Profit before income tax			25,306

Note:

During the six months ended 30 June 2023 and 2022, the research and development expenses capitalised as intangible assets and not included in the segment information above amounted to approximately RMB28,339,000 and RMB28,055,000, respectively.

Analysis of revenue

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Derived:		
– In the PRC	**143,202**	105,555
– Outside the PRC	**22,732**	19,249
	165,934	124,804

Revenue is attributed to countries based on the customers' locations.

5 REVENUE

An analysis of the Group's revenue by category for the six months ended 30 June 2023 and 2022 was as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Revenue from contracts with customers recognised at a point in time		
– Revenue from sales of medical occluders	**165,934**	124,804

Revenues from external customers are derived from the sales of medical occluders both directly to hospitals and network of distributors.

No individual customer has contributed more than 10% of the Group's total revenue during the six months ended 30 June 2023 and 2022.

6 EXPENSES BY NATURE

The details of cost of sales, distribution expenses, general and administrative expenses and research and development expenses are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Employee benefit expense	**37,267**	31,148
Changes in inventories of finished goods and work in progress	**(2,950)**	(2,814)
Raw materials and consumables used for		
– products production	**11,573**	8,533
– research and development	**6,302**	5,704
	17,875	14,237
Products testing, pre-clinical trial and animals studies fees	**5,242**	2,807
Depreciation of		
– property, plant and equipment	**2,347**	1,685
– right-of-use assets	**1,474**	1,190
– investment properties	**323**	451
	4,144	3,326
Amortisation of intangible assets	**3,881**	3,458
Marketing and consulting service fees	**7,640**	4,794
Professional service fees	**5,030**	109
Travelling expenses	**2,765**	1,637
Taxes and surcharges	**2,462**	1,693
Utilities and office expenses	**1,532**	948
Listing expenses	**–**	5,124
Auditor's remuneration		
– audit services	**900**	–
– non-audit services	**–**	–
	900	–
Others	**2,848**	1,520
Total	**88,636**	67,987

7 OTHER INCOME AND LOSSES – NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Investment income on wealth management products	**5,593**	4,809
Government grants	**1,481**	2,574
Commission income from a related party	**–**	734
Rental income from investment properties	**370**	215
Others	**48**	40
Other income	**7,492**	8,372
Fair value gains on financial assets at fair value through profit or loss	**405**	4
Net loss on write-off of property, plant and equipment	**(1)**	(1)
Net foreign exchange losses	**(2,883)**	(26,864)
Others	**(52)**	200
Other losses – net	**(2,531)**	(26,661)
Other income and losses – net	**4,961**	(18,289)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current income tax charge	**12,055**	8,557
Deferred income tax credit	**(454)**	(7,506)
Income tax expense	**11,601**	1,051

Shanghai Shape Memory Alloy is qualified as a "High and New Technology Enterprise" ("HNTE")" under the relevant PRC laws and regulations on 23 October 2017 (such qualification renewed on 18 November 2020 and expiring on 18 November 2023). Accordingly, it is entitled to a preferential income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2020 to 2022. Shanghai Shape Memory Alloy is subject to the requirement for re-applying for the renewal of this HNTEs status every three years. Based on management's best estimate, it is highly probable that Shanghai Shape Memory Alloy will renew the HNTEs status in the second half of 2023, and thus the preferential income tax rate of 15% has been continuously used to recognise the income tax expenses of Shanghai Shape Memory Alloy for the six months ended 30 June 2023.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2021 onwards, enterprise engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year.

9 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during each period.

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Audited)
Profit attributable to owners of the Company for the period (RMB'000)	**76,094**	24,255
Weighted average number of ordinary shares in issue (in thousands)	**346,750**	324,295
Basic earnings per share (in RMB per share)	**0.22**	0.07

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as there were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2023 and 2022.

10 TRADE RECEIVABLES

	As at	
	30 June	31 December
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from contracts with customers		
– third parties	**50,416**	43,540
– related parties	**4,861**	1,039
	55,277	44,579
Less: allowance for impairment	**(14,207)**	(13,964)
	41,070	30,615

The Group generally does not offer any official contractual credit terms to its customers and will closely monitor the settlement pattern of respective customers. For certain individual customers with long-term relationship with the Group and have good credit history in the past, the Group may allow them to settle the related receivable balances within a discretionary period ranging from 30 days to 360 days.

The aging analysis of the gross trade receivable as at 30 June 2023 and 31 December 2022, based on invoice date, are as follows:

	As at	
	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**43,023**	25,944
Between 1 year and 2 years	**8,239**	12,845
Over 2 years	**4,015**	5,790
	55,277	44,579

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

11 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Investment in wealth management products issued by banks	**150,405**	–
Investment in wealth management product issued by a private fund	**–**	258,109
	150,405	258,109

The financial assets at fair value through profit or loss as of 30 June 2023 represent investments in wealth management products denominated in RMB, with expected rates of return ranging from 1.50% to 3.10% per annum. The returns of the investments are not guaranteed, hence the contractual cash flows do not qualify for solely payments of principal and interest. Therefore, the investments have been accounted for as financial assets at fair value through profit or loss. None of these investments are past due.

The financial assets at fair value through profit or loss as of 31 December 2022 represents the Group's investment in a USD-denominated wealth management product of USD37 million (equivalent to approximately RMB263 million at date of investment) as offered by a private fund (registered in the Cayman Islands Monetary Authority and is owned by a Cayman Islands incorporated segregated portfolio company). On 21 March 2023, the Group has redeemed its entire investment in that wealth management product and the cash proceeds as received amounted to approximately US$37.18 million (equivalent to approximately RMB256 million).

Amounts recognised in profit or loss

The carrying amount of the financial assets was a reasonable approximation of their fair value due to the short-term investment period. For the six months ended 30 June 2023, investment income of RMB5,593,000 (2022: RMB4,809,000) and unrealised fair value gains of RMB405,000 (2022: RMB4,000) have been recognised as other income and gain (Note 7).

12 TRADE AND OTHER PAYABLES

	As at	
	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
– related parties	**5,297**	800
– third parties	**9,064**	11,461
	14,361	12,261
Other payables to related parties	**257**	163
Employee benefits payable	**2,994**	6,681
Accrued professional service fees	**4,009**	2,400
Other taxes payable	**5,237**	6,461
Accrued listing expenses	**1,791**	5,559
Deposits received from customers	**65**	271
Others	**810**	1,013
	29,524	34,809

Other payables due to related parties are denominated in RMB, unsecured, interest-free and repayable on demand.

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

The credit period granted by suppliers to the Group ranged from 30 days to 120 days. Aging analysis of the trade payables based on the date of relevant supplier invoices or demand notes at each balance sheet date are as follows:

	As at	
	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**14,092**	11,992
Between 1 year and 2 years	**122**	122
Over 2 years	**147**	147
	14,361	12,261

13 DIVIDEND

No dividend has been declared by the Company during six months ended 30 June 2023 and 2022.

OTHER INFORMATION

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

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

EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Group after the Reporting Period and up to the date of this announcement.

USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Stock Exchange on the Listing Date. The net proceeds received from the Global Offering (after deducting the estimated underwriting commissions and other fees and expenses payable by the Company in connection with the Global Offering) was approximately HK$567.3 million.

The following table sets forth the planned use and actual use of the net proceeds from the Global Offering as of June 30, 2023:

Use of proceeds	**Net proceeds from the Global Offering** *(HK$ million)*	**Utilized amount as of June 30, 2023** *(HK$ million)*	**Unutilized amount as of June 30, 2023** *(HK$ million)*	**Expected timeline for fully utilizing the unutilized amount[(1)]**
To fund our research and development activities	287.6	16.5	271.1	Before December 31, 2027
For our sales and marketing activities	137.9	7.6	131.5	Before December 31, 2027
To expand our production capacity and strengthen our manufacturing capabilities	28.4	2.8	25.5	Before December 31, 2027
To fund potential strategic investments and acquisitions	56.7	–	56.7	Before December 31, 2027
For our working capital and general corporate purposes	56.7	–	56.7	Before December 31, 2027
Total	567.3	26.9	541.6	

Note:

(1) The expected timeline for fully utilizing the unutilized amount disclosed above is based on the best estimates made by the Board pursuant to the latest information up to the date of this announcement.

As disclosed on pages 485 to 492 of the Prospectus, based on the current business plan, the Company intended to implement the use of proceeds from the Global Offering in the five financial years from 2023 to 2027. The Board currently expects full utilization of the net proceeds raised from the Global Offering by December 31, 2027, subject to changes in light of the Company's evolving business needs and changing market conditions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix 14 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance.

Throughout the Reporting Period, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from the below code provisions.

Pursuant to code provision C.2.1 in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Chen Juan is currently serving as the chairman of the Board as well as the chief executive officer of the Company. She has been primarily involved in developing overall corporate and business strategies of our Group and making significant business and operational decisions of our Group. The Directors consider that vesting the roles of both the chairman of the Board and the chief executive officer of the Company in Ms. Chen is beneficial to the business prospects of the Group by ensuring consistent leadership to the Group as well as prompt and effective decision making and implementation. In addition, the Directors believe that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (1) decision to be made by the Board requires approval by at least a majority of the Directors; (2) Ms. Chen and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that she acts for the benefit and in the best interests of our Company and will make decisions for the Company accordingly; (3) the balance of power and authority is ensured by the operations of the Board, which consists of two executive Directors, two non-executive Directors and three independent non-executive Directors, and has a fairly strong independence element; and (4) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board, and senior management levels.

The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding the transactions of securities of the Company by its Directors, supervisors and the relevant employees who would likely possess inside information of the Company. Having made specific enquiry with all Directors and supervisors of the Company and all of them have confirmed that they have complied with the Model Code during the six months ended June 30, 2023.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, namely Ms. Chan Ka Lai Vanessa and Mr. Zheng Yufeng, and one non-executive Director, namely Mr. Zheng Guorui.

The Audit Committee has reviewed the unaudited interim financial information of the Group for the six months ended June 30, 2023, and has discussed with the management the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2023.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND THE INTERIM REPORT

This announcement was published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.scientechmed.com), respectively. The interim report for the six months ended June 30, 2023 will be despatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"ASD"	atrial septal defect, a remnant opening, or a defect, between the left and right atria resulting from the abnormal development, absorption and fusion of the atrial septum during embryonic development
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"CDH Supermatrix"	CDH Supermatrix D Limited, a limited liability company incorporated under the laws of Hong Kong on April 27, 2021 and a Pre-IPO Investor
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"CHD"	congenital heart disease, the formation of the heart and blood vessels during embryonic development or abnormal development or failure to close the channels that should be automatically closed after birth, resulting in abnormalities in the solid structure or function of the blood vessels in the heart or thoracic cavity
"Company"	LEPU ScienTech Medical Technology (Shanghai) Co., Ltd.* (樂普心泰醫療科技(上海)股份有限公司), a joint stock limited liability company established in the PRC on January 29, 2021 and whose Shares are listed on the Main Board of the Stock Exchange
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"FIM"	First in man
"Global Offering"	has the meaning ascribed to it under the Prospectus
"Group", "we", "us", or "our"	the Company and its subsidiaries from time to time
"HK dollar" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huaihua Haozhi"	Huaihua Haozhi Enterprise Management Partnership (Limited Partnership)# (懷化皓智企業管理合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on February 19, 2020 and a Pre-IPO Investor
"IFRS"	refers to International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
"KOLs"	key opinion leaders, who are professionals that influence their peers' medical practice, including but not limited to prescribing behavior
"LAA"	left atrial appendage, a long, narrow and curved blind-end structure extending forward and downward along the anterior wall of the left atrium, which has active diastolic and secretory functions
"Lepu Medical"	Lepu Medical Technology (Beijing) Co., Ltd.# (樂普(北京)醫療器械股份有限公司), a company listed on the ChiNext Board of the Shenzhen Stock Exchange, stock code: 300003, one of our controlling shareholders
"Listing"	the listing of Shares on the Main Board of the Stock Exchange on November 8, 2022
"Listing Date"	November 8, 2022, being the date on which the Shares of LEPU ScienTech Medical Technology (Shanghai) Co., Ltd.* (樂普心泰醫療科技(上海)股份有限公司) were listed on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局), formerly known as the China Food and Drug Administration
"PCI"	percutaneous coronary interventions
"PDA"	patent ductus arteriosus, a remnant opening of the ductus arteriosus, which fails to close normally in one year after birth
"PFO"	patent foramen ovale, a remnant opening of the fetal foramen ovale, which fails to close normally in one year after birth

"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this announcement, Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"Pre-IPO Investors"	the pre-IPO investors, namely Vivo Capital Fund IX, Sequoia Capital China Growth, SHC, Huaihua Haozhi and CDH Supermatrix, details of which are set out in the Prospectus
"Prospectus"	the prospectus issued by the Company on October 27, 2022 in connection with the Hong Kong public offering of the Shares
"Reporting Period"	six months from January 1, 2023 to June 30, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Sequoia Capital China Growth"	SCC Growth VI Holdco AF, Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 12, 2021 and a Pre-IPO Investor
"Shanghai Shape Memory Alloy"	Shanghai Shape Memory Alloy Co., Ltd.# (上海形狀記憶合金材料有限公司), a limited liability company established under the laws of the PRC on May 5, 1994 and a wholly-owned subsidiary of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Shares"	ordinary share(s) in the share capital of the Company with a par value of RMB1.00 each
"SHC"	Shanghai Healthcare Capital Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on October 28, 2020 and a Pre-IPO Investor
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"US$" or "USD"	United States dollars, the lawful currency of the United States of America
"Vivo Capital Fund IX"	Vivo Capital Fund IX, L.P., a limited partnership established under the laws of Delaware of the United States on March 12, 2018 and a Pre-IPO Investor

"VSD"	ventricular septal defect, a defect, or a hole, in the septum between the left and right ventricles of the heart, which may lead to abnormal blood circulation and pulmonary hypertension and other complications in severe cases
"%"	per cent

By Order of the Board
LEPU ScienTech Medical Technology (Shanghai) Co., Ltd.*
樂普心泰醫療科技(上海)股份有限公司
Ms. Chen Juan
Chairman of the Board and Executive Director

Shanghai, the People's Republic of China
August 22, 2023

As at the date of this announcement, the Board comprises Ms. Chen Juan and Ms. Zhang Yuxin as executive Directors; Mr. Fu Shan and Mr. Zheng Guorui as non-executive Directors; and Ms. Chan Ka Lai Vanessa, Mr. Zheng Yufeng, and Mr. Liu Daozhi as independent non-executive Directors.

* *The Company is a registered non-Hong Kong company as defined under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "LEPU ScienTech Medical Technology (Shanghai) Co., Ltd.".*

\# *For identification purposes only*