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## **LifeTech Scientific Corporation**

**先健科技公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1302)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **FINANCIAL HIGHLIGHTS**

- The turnover for the six months ended 30 June 2023 was approximately RMB639.5 million, representing an increase of approximately 15.2% as compared with the turnover of approximately RMB555.2 million for the six months ended 30 June 2022. Gross profit for the six months ended 30 June 2023 was approximately RMB504.8 million, representing an increase of approximately 14.3% as compared with the gross profit of approximately RMB441.6 million for the six months ended 30 June 2022.
- Net profit attributable to owners of the Company for the six months ended 30 June 2023 was approximately RMB220.2 million, where it increased by approximately 2.5% as compared with the net profit attributable to owners of the Company of approximately RMB214.8 million for the corresponding period of 2022.
- The Board did not recommend the payment of any interim dividends for the six months ended 30 June 2023 (corresponding period of 2022: nil).

## UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "Board") of directors (the "Directors", each a "Director") of LifeTech Scientific Corporation (the "Company" or "Lifetech") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2023 (the "Reporting Period") together with the comparative figures for the corresponding period of 2022.

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

For the six months ended 30 June 2023

		<b>Six months ended 30 June</b>	
	NOTES	<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
Revenue	4	<b>639,505</b>	555,214
Cost of sales		<b>(134,700)</b>	(113,639)
Gross profit		<b>504,805</b>	441,575
Other income, expenses, gains and losses	5	<b>39,940</b>	41,277
Selling and distribution expenses		<b>(119,186)</b>	(98,644)
Administration expenses		<b>(59,747)</b>	(46,088)
Research and development expenses		<b>(110,607)</b>	(100,261)
Operating profit		<b>255,205</b>	237,859
Finance income, net		<b>3,669</b>	3,914
Share of losses of associates		<b>(2,453)</b>	(1,153)
Profit before tax	6	<b>256,421</b>	240,620
Income tax expense	7	<b>(43,770)</b>	(29,751)
Profit for the period		<b>212,651</b>	210,869
Other comprehensive (expense) income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value loss and exchange differences on investments in equity instruments at fair value through other comprehensive income, net of tax		<b>(169,803)</b>	—
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(2,325)</b>	212
Other comprehensive (expense) income for the period		<b>(172,128)</b>	212
Total comprehensive income for the period		<b>40,523</b>	211,081
Profit (loss) for the period attributable to:			
Owners of the Company		<b>220,164</b>	214,784
Non-controlling interests		<b>(7,513)</b>	(3,915)
		<b>212,651</b>	210,869
Total comprehensive income (expense) attributable to:			
Owners of the Company		<b>48,036</b>	214,996
Non-controlling interests		<b>(7,513)</b>	(3,915)
		<b>40,523</b>	211,081
Earnings per share	9		
– Basic		<b>RMB4.9 cents</b>	RMB5.0 cents
– Diluted		<b>RMB4.9 cents</b>	RMB4.8 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTES	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		741,553	727,863
Right-of-use assets		56,650	55,528
Investment properties		274,256	246,913
Intangible assets		491,411	442,406
Interests in associates		45,031	42,691
Financial assets at fair value through profit or loss ("FVTPL")	10	125,178	127,417
Equity instruments at fair value through other comprehensive income ("FVTOCI")	11	165,584	335,387
Deposits for acquisition of property, plant and equipment		37,242	32,642
Deferred tax assets		70,485	62,598
Fixed bank deposits		140,000	220,000
		<u>2,147,390</u>	<u>2,293,445</u>
<b>Current assets</b>			
Inventories		339,546	241,406
Trade receivables	12	156,490	137,090
Other receivables and prepayments	13	453,329	184,370
Financial assets at FVTPL	10	80,000	—
Fixed bank deposits		130,000	—
Cash and cash equivalents		775,143	833,792
		<u>1,934,508</u>	<u>1,396,658</u>
<b>Current liabilities</b>			
Trade and other payables	14	561,272	531,846
Contract liabilities		2,870	10,028
Tax payables		59,992	37,824
Lease liabilities		10,692	5,037
		<u>634,826</u>	<u>584,735</u>
<b>Net current assets</b>		<u>1,299,682</u>	<u>811,923</u>
<b>Total assets less current liabilities</b>		<u>3,447,072</u>	<u>3,105,368</u>

		<b>30 June</b>	31 December
	NOTES	<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Audited)
<b>Non-current liabilities</b>			
Government grants		<b>44,484</b>	37,174
Lease liabilities		<b>3,661</b>	4,637
Financial liabilities at FVTPL	15	<b>142,500</b>	142,500
		<b>190,645</b>	184,311
<b>Net assets</b>			
		<b>3,256,427</b>	2,921,057
<b>Capital and reserves</b>			
Share capital	16	<b>37</b>	37
Reserves		<b>3,243,291</b>	2,900,408
Equity attributable to owners of the Company		<b>3,243,328</b>	2,900,445
Non-controlling interests		<b>13,099</b>	20,612
<b>Total equity</b>			
		<b>3,256,427</b>	2,921,057

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

For the six months ended 30 June 2023

### **1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Xie Yuehui, is the Chairman and Chief Executive Officer of the Company. The address of the registered office is PO Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands and the address of the principal place of business is LifeTech Scientific Building, No.22, Keji 12th Road South, High-tech Industrial Park, Nanshan District, Shenzhen, Guangdong Province, the People's Republic of China ("PRC").

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

The condensed consolidated financial statements are presented in Renminbi, which is the functional currency of the Company and the Group's major operating subsidiaries.

### **2. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Listing Rules.

### **3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

In addition, in the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to IFRSs issued by the IASB that are mandatorily effective for the current interim period. The application of the above new interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### **4. SEGMENT INFORMATION**

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

#### 4. SEGMENT INFORMATION - continued

The Group's operating segments under IFRSs 8 are as follows:

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

Information regarding the above segments is reported below.

##### (a) Segment revenue and results

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

##### For the six months ended 30 June 2023

	<b>Structural heart diseases business RMB'000 (Unaudited)</b>	<b>Peripheral vascular diseases business RMB'000 (Unaudited)</b>	<b>Cardiac pacing and electrophysiology business RMB'000 (Unaudited)</b>	<b>Total RMB'000 (Unaudited)</b>
<b>SEGMENT REVENUE</b>				
External sales	243,905	362,702	32,898	639,505
Segment profit	213,689	278,907	12,209	504,805
Unallocated income				
- Other income and other gains				54,980
- Finance income				3,984
Unallocated expense				
- Selling and distribution expenses				(119,186)
- Administration expenses				(59,747)
- Research and development expenses				(110,607)
- Other expenses and losses				(15,040)
- Finance costs				(315)
- Share of losses of associates				(2,453)
Profit before tax				256,421

#### 4. SEGMENT INFORMATION - continued

##### (a) Segment revenue and results - continued

For the six months ended 30 June 2022

	Structural heart diseases business RMB'000 (Unaudited)	Peripheral vascular diseases business RMB'000 (Unaudited)	Cardiac pacing and electrophysiology business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
<b>SEGMENT REVENUE</b>				
External sales	194,893	316,591	43,730	555,214
Segment profit	173,682	250,307	17,586	441,575
Unallocated income				
- Other income and other gains				49,823
- Finance income				4,331
Unallocated expense				
- Selling and distribution expenses				(98,644)
- Administration expenses				(46,088)
- Research and development expenses				(100,261)
- Other expenses and losses				(8,546)
- Finance costs				(417)
- Share of losses of associates				(1,153)
Profit before tax				240,620

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

#### 4. SEGMENT INFORMATION - *continued*

##### (b) Segment assets and liabilities

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

##### *Segment assets*

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	<b>330,714</b>	330,622
Peripheral vascular diseases business	<b>695,064</b>	539,908
Cardiac pacing and electrophysiology business	<b>93,080</b>	86,180
	<hr/>	<hr/>
Total segment assets	<b>1,118,858</b>	956,710
Unallocated assets		
Interests in associates	<b>45,031</b>	42,691
Property, plant and equipment	<b>607,897</b>	589,810
Right-of-use assets	<b>56,650</b>	55,528
Investment properties	<b>274,256</b>	246,913
Deferred tax assets	<b>70,485</b>	62,598
Financial assets at FVTPL	<b>205,178</b>	127,417
Equity instruments at FVTOCI	<b>165,584</b>	335,387
Other receivables and prepayments	<b>453,329</b>	184,370
Cash and cash equivalents	<b>775,143</b>	833,792
Fixed bank deposits	<b>270,000</b>	220,000
Intangible assets	<b>2,245</b>	2,245
Deposits for acquisition of property, plant and equipment	<b>37,242</b>	32,642
	<hr/>	<hr/>
Consolidated assets	<b>4,081,898</b>	3,690,103
	<hr/>	<hr/>



#### 4. SEGMENT INFORMATION - *continued*

##### (b) Segment assets and liabilities - *continued*

###### *Segment liabilities*

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	<b>77,035</b>	68,506
Peripheral vascular diseases business	<b>139,846</b>	111,871
Cardiac pacing and electrophysiology business	<b>3,102</b>	10,138
	<hr/>	<hr/>
Total segment liabilities	<b>219,983</b>	190,515
Unallocated liabilities		
Other payables	<b>340,699</b>	348,218
Lease liabilities	<b>14,353</b>	9,674
Tax payables	<b>59,992</b>	37,824
Government grants	<b>47,944</b>	40,315
Financial liabilities at FVTPL	<b>142,500</b>	142,500
	<hr/>	<hr/>
Consolidated liabilities	<b>825,471</b>	769,046
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For the purposes of monitoring segment performances and allocating resources between segments:

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

## 5. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Other income and expenses		
Government grants	<b>8,971</b>	7,050
Rental income generated from investment properties	<b>21,836</b>	17,061
Depreciation of investment properties	<b>(4,085)</b>	(3,195)
Others	<b>(4,259)</b>	(1,581)
	<b>22,463</b>	19,335
Other gains and losses		
Loss on disposal of property, plant and equipment and intangible assets	<b>(45)</b>	(289)
(Loss) gain from changes in fair value of hybrid fund	<b>(296)</b>	650
Loss from changes in fair value of equity funds	<b>(6,355)</b>	(4,131)
Unrealised foreign exchange gain in financial assets at FVTPL	<b>4,412</b>	773
Gain on disposal of partial interest in associates	<b>—</b>	3,180
Other net foreign exchange gain	<b>19,761</b>	21,759
	<b>17,477</b>	21,942
	<b>39,940</b>	41,277

## 6. PROFIT BEFORE TAX

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' fees	<b>360</b>	360
Salaries, wages, performance related bonus and other benefits	<b>151,638</b>	127,747
Share-based payment expenses	<b>33,138</b>	29,726
Retirement benefits scheme contributions	<b>15,772</b>	11,694
Less: capitalised in development costs, construction in progress and inventories	<b>(18,127)</b>	(17,803)
	<b>182,781</b>	151,724
Cost of inventories recognised as expenses	<b>134,700</b>	113,639
Depreciation of property, plant and equipment	<b>21,453</b>	16,245
Depreciation of right-of-use assets	<b>5,980</b>	7,843
Depreciation of investment properties	<b>4,085</b>	3,195
Amortisation of intangible assets	<b>7,003</b>	6,161
Gross rental income from investment properties	<b>(21,836)</b>	(17,061)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	<b>4,085</b>	3,195
	<b>(17,751)</b>	(13,866)

## 7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	42,486	39,858
Hong Kong Profits Tax	4,246	4,878
Deferred tax credit:		
Current period	(2,962)	(14,985)
	<b>43,770</b>	<b>29,751</b>

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

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

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% except for Lifetech Scientific (Shenzhen) Co., Ltd. (先健科技(深圳)有限公司) ("Lifetech Shenzhen") and Biotyx Medical (Shenzhen) Co., Ltd. (元心科技(深圳)有限公司) ("Biotyx Medical"), two major operating subsidiaries in the PRC. Lifetech Shenzhen and Biotyx Medical were qualified as High and New Technology Enterprises (the qualification is subject to review by relevant authorities in the PRC for every three years), and therefore Lifetech Shenzhen and Biotyx Medical are entitled to a preferential income tax rate of 15% for the periods ended 30 June 2023 and 2022.

The applicable income tax rate of Lifetech Scientific India Private Ltd. in the jurisdiction of India is 30.9% on its taxable profits. No provision for taxation in India has been made as there is no assessable profits in India for both periods.

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

## 8. DIVIDENDS

No dividend was paid, declared or proposed during the interim periods ended 30 June 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

## 9. EARNINGS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Earnings:</b>		
Earnings for the purposes of basic and diluted earnings per share	<b>220,164</b>	214,784
	<hr/> <hr/>	<hr/> <hr/>
	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>'000</b>	'000
	<b>(Unaudited)</b>	(Unaudited)
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	<b>4,448,603</b>	4,330,055
Effect of dilutive potential ordinary shares:		
Share options	<b>33,276</b>	33,293
Award shares	<b>19,212</b>	154,565
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Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>4,501,091</b>	4,517,913
	<hr/> <hr/>	<hr/> <hr/>

The computation of diluted earnings per share does not assume the conversion certain of the Company's share options because the exercise price of those options was higher than the average market prices for shares for the six months ended 30 June 2023 and 2022.

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

## 10. FINANCIAL ASSETS AT FVTPL

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Financial assets mandatorily measured at FVTPL:		
Current assets		
Short-term bank structured deposits	<u>80,000</u>	<u>—</u>
Non-current assets		
Unlisted fund		
– Equity funds (Note i)	<b>115,117</b>	117,060
– Hybrid fund (Note ii)	<b>10,061</b>	10,357
	<b><u>205,178</u></b>	<b><u>127,417</u></b>

Notes:

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

On 24 October 2022, the Group entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for interest of a private equity fund (“2022 Equity Fund”), as a limited partner, for an aggregate consideration of USD20,000,000 (equivalent to approximately RMB144,378,000) in cash. The purposes of the 2022 Equity Fund are to seek capital appreciation primarily by acquiring, holding and disposing of securities, independently or with others, primarily in non-listed or, sometimes, listed persons involved in the healthcare industry, with a particular focus on leading innovative technologies.

- ii. On 8 January 2021, the Group entered into a contract to purchase a hybrid fund unit (“Hybrid Fund”) with a financial institution, which was accounted for as financial assets at FVTPL on initial recognition, for a consideration of RMB10,000,000 in cash.

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

The equity funds and hybrid fund are accounted for as financial assets at FVTPL in accordance with IFRS 9. In the opinion of the directors of the Company, these funds are held for long-term strategic investment purposes and as such, the investments are classified as non-current assets.

The Group holds 9.69% (31 December 2022: 9.69%) and 18.18% (31 December 2022: 34.48%) interest respectively in the 2018 Equity Fund and 2022 Equity Fund as at 30 June 2023.

## 11. EQUITY INSTRUMENTS AT FVTOCI

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
Listed:		
– Equity securities listed in Hong Kong (Note)	<b>165,584</b>	335,387

Note:

On 21 September 2022, the Group entered into a subscription agreement with Jenscare Scientific Co., Ltd. (寧波健世科技股份有限公司) (“Jenscare Scientific”) pursuant to which the Group agreed to subscribe for shares of the company upon the initial public offering, as a cornerstone investor, for an aggregate consideration of USD20,000,000 (equivalent to approximately RMB143,947,000) in cash with the subscription price of HKD27.8 per share. There is a lock-up period of six months upon the initial public offering on 10 October 2022.

In the opinion of the directors of the Company, the investment is held for long-term strategic investment purposes and as such, it is classified as non-current asset.

## 12. TRADE RECEIVABLES

The Group normally allows a credit period of 30 to 180 days (corresponding period of 2022: 30 to 180 days) to its trade customers. The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on the invoice dates at the end of the Reporting Period, which approximated the respective revenue recognition dates:

	<b>30 June 2023 RMB'000 (Unaudited)</b>	31 December 2022 RMB'000 (Audited)
1 - 90 days	<b>126,935</b>	107,046
91 - 180 days	<b>26,308</b>	16,388
181 - 365 days	<b>2,542</b>	13,224
Over 365 days	<b>705</b>	432
	<b>156,490</b>	137,090

### 13. OTHER RECEIVABLES AND PREPAYMENTS

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Other debtors (Note i)	<b>15,751</b>	33,156
Value added tax deductible	<b>51,520</b>	45,296
Prepayments	<b>76,253</b>	56,629
Advance to employees - interest free	<b>43,230</b>	44,665
Advance to employees - others (Note ii)	<b>261,900</b>	—
Rental deposits	<b>3,549</b>	3,600
Other deposits	<b>1,126</b>	1,024
	<b>453,329</b>	184,370

Notes:

- (i) Amounts are unsecured and interest-free. In the opinion of the directors, the Group will demand for repayments within one year from the end of reporting period and the amounts are therefore considered as current.
- (ii) The borrowers are employees of the Company (non-affiliated individuals), and the loan is used to purchase ordinary shares which purchased by the Company through a trust company. The maximum loan period shall not exceed ten years, and the borrowers must complete the delivery of such shares within the loan period. If any borrower terminates or dissolves the employment contract with the Company within the loan period, the borrower must pay the outstanding loan off in one time before the date of resignation. If the borrower fails to repay all the loans before resignation, the Company shall have the right to file a lawsuit in the court.

### 14. TRADE PAYABLES

The credit period granted by suppliers to the Group ranged from 30 to 120 days (corresponding period of 2022: 30 to 120 days). The following is an aged analysis of trade payables presented based on the invoice dates at the end of the Reporting Period:

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
0 - 30 days	<b>31,095</b>	23,633
31 - 60 days	<b>11,423</b>	16,176
61 - 120 days	<b>20,869</b>	18,544
Over 120 days	<b>15,157</b>	4,295
	<b>78,544</b>	62,648



## 15. FINANCIAL LIABILITIES AT FVTPL

	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Capital injection from other investors	<b>142,500</b>	142,500

During the year ended 31 December 2020, Lifetech Shenzhen, a wholly-owned subsidiary of the Company, entered into a shareholders' agreement with certain independent third parties for issuance of shares of Biotyx Medical, a subsidiary of Lifetech Shenzhen, with a total consideration of RMB135,000,000. Pursuant to the agreement, during the year ended 31 December 2020, Biotyx Medical received the first capital injection of RMB67,500,000. During the year ended 31 December 2021, Biotyx Medical received the second capital injection of RMB67,500,000.

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

## 16. SHARE CAPITAL

	Number of Shares	Amount USD
<b>Ordinary Shares</b>		
<b>Authorised:</b>		
At 1 January 2022, 31 December 2022 and 30 June 2023 at USD0.00000125 each	40,000,000,000	50,000
		<b>Shown in the condensed consolidated financial statements as RMB'000</b>
	<b>Number of Shares</b>	<b>Amount USD</b>
<b>Issued and fully paid:</b>		<b>RMB'000</b>
At 1 January 2022 and 31 December 2022	4,630,030,400	5,789
Exercise of share options	2,000	— *
<b>At 30 June 2023</b>	<b>4,630,032,400</b>	<b>5,789</b>

\* Less than RMB1,000.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS OVERVIEW**

The Group is a developer, manufacturer and marketer of advanced minimally invasive interventional medical devices for cardiovascular, peripheral vascular diseases and disorders. We currently have three main product lines covering, structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. Structural heart diseases related products mainly include congenital heart diseases occluder and Left Atrial Appendage (“LAA”) occluder; peripheral vascular diseases related products mainly include vena cava filter and stent graft; and cardiac pacing and electrophysiology related products mainly include implantable cardiac pacemakers and cardiac pacing leads. These three product lines provide clinically effective and commercially attractive product offerings. The Group has built a strong sales network globally and has distributors in numerous countries across Asia, Africa, North America, South America and Europe.

### **FIRST-HALF PERFORMANCE**

The Group recorded a revenue of approximately RMB639.5 million for the six months ended 30 June 2023, representing an increase of approximately RMB84.3 million or approximately 15.2% as compared with the revenue of approximately RMB555.2 million for the corresponding period of 2022. China’s mainland remained our largest market, where the revenue generated from accounted for approximately 80.4% of our total revenue for the six months ended 30 June 2023 (corresponding period of 2022: approximately 83.2%). Meanwhile, Asia (excluding China’s mainland) and Europe were our two largest overseas markets, which accounted for approximately 8.5% and 7.5%, respectively, of our total revenue for the six months ended 30 June 2023 (corresponding period of 2022: approximately 7.2% and 6.1%, respectively). Domestic and overseas sales of the Group increased by approximately 11.3% and 34.4%, respectively, as compared with the corresponding period of 2022, which was mainly attributable to the Company’s effective marketing strategies and the active expansion of overseas business.

Net profit attributable to owners of the Company for the six months ended 30 June 2023, was approximately RMB220.2 million, which increased by approximately RMB5.4 million or approximately 2.5% as compared with the net profit attributable to owners of the Company of approximately RMB214.8 million for the corresponding period of 2022.

### **SALES AND MARKETING**

The Group has an experienced team of sales and marketing professionals that are dedicated to support and manage existing distribution networks and to explore new markets. We improved the brand awareness and influence of our products by organizing or participating in domestic and international medical conferences, academic activities, seminars, live broadcasts of surgical procedures and delivering trainings to medical professionals. Meanwhile, Lifetech Knowledge Exchange Program, established by the Group in 2012, connected cardiovascular experts around the globe for academic exchanges. These experts exchanged valuable medical experience and clinical skills which were highly conducive to promote the development of medical technology in the field of minimally invasive cardiovascular interventions. Such activities showcased our strengths in product innovation and helped enhance the Company’s sales and influence in the international medical community.

## RESEARCH AND DEVELOPMENT (“R&D”)

The Company’s independently developed innovative domestic medical device products will maintain the competitive strength of the Company and also provide more effective treatments to patients around the globe. In the first half of 2023, the Company continuously strengthened its innovation capabilities and accelerated the development of products, so as to maintain its industry leading position.

During the six months ended 30 June 2023, we have achieved the following milestones in the R&D field:

- Aegisy™ Vena Cava Filter, AcuMark™ Sizing Balloon, ZoeTrack™ Super Stiff Guidewire and SeQure™ Snare System have obtained the CE MDR (Medical Device Regulation) certification. Such products have previously obtained the CE MDD (Medical Device Directive) certification;
- Ankura™ Chimney Aortic Stent Graft System (consists of the Ankura™ Pro Aortic Stent Graft System and Longuette™ Aortic Branch Stent Graft System), Peripheral thrombus aspiration catheter and Distal Access Catheter Kits are pending registration approval in China;
- G-Branch™ Thoracoabdominal Artery Stent Graft System has completed pre-marketing clinical enrollments and is currently under clinical follow-up in China;
- Aortic Arch Stent Graft System (consists of the Ankura™ Plus Aortic Arch Stent Graft System and CSkirt™ Aortic Arch Branch Stent Graft System) is currently still under clinical follow-up in China;
- Futhrough™ Endovascular Needle System has completed its pre-marketing clinical enrollments and the clinical summary report was under approval;
- Concave Supra-arch branched stent-graft system has fully completed the study on the first in man (“FIM”) in China;
- The study on the FIM of X-Clip™ Mitral Valve Clip System was approved and successfully implanted for the first time in China;
- IBS Angel™ Iron Bioresorbable Scaffold System (the only absorbable stent product suitable for children globally) obtained CE MDR certification in Europe; and
- IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System has completed the clinical enrollment in the China Prospective Multicenter Single-arm Target Study (the “Phase III”). The three-year follow-up of the feasibility of FIM clinical study has been successfully completed and the results were published online on the authoritative international medical journal.

## **INTELLECTUAL PROPERTY RIGHTS**

Intellectual property is an important intangible asset of the Group and also an internal driving force to improve our core competitiveness in the medical device market. During the six months ended 30 June 2023, the Group has filed 82 patent applications and separately, 91 patents were successfully registered. As at 30 June 2023, the Group has filed a total of 1,904 valid patent applications, of which 842 patents were registered and valid.

## **FINANCIAL REVIEW**

### **OVERVIEW**

The following discussion is based on, and should be read in conjunction with, the financial information and the notes appended thereto included in this interim results announcement.

### **REVENUE**

The revenue of the Group was approximately RMB639.5 million for the six months ended 30 June 2023, with an increase of approximately RMB84.3 million or approximately 15.2% as compared with the revenue of approximately RMB555.2 million for the corresponding period of 2022. The increase was mainly attributable to the increase of revenue from sales of stent grafts and congenital heart diseases occluders.

#### ***Revenue from structural heart diseases business***

The turnover contributed by the structural heart diseases business for the six months ended 30 June 2023 was approximately RMB243.9 million (corresponding period of 2022: approximately RMB194.9 million), representing an increase of approximately 25.1% as compared with the corresponding period of 2022.

We have diversified our product portfolio to cover a wide spectrum of the structural heart diseases business, including but not limited to, LAA occluders and three generations of congenital heart diseases occluders namely HeartR, Cera and CeraFlex. As compared with the corresponding period of 2022, the revenue generated from the sales of LAA occluders and congenital heart diseases occluders increased by approximately 31.2% and 24.2%, respectively.

#### ***Revenue from peripheral vascular diseases business***

The turnover contributed by the peripheral vascular diseases business for the six months ended 30 June 2023 was approximately RMB362.7 million (corresponding period of 2022: approximately RMB316.6 million), representing an increase of approximately 14.6% as compared with the corresponding period of 2022.

The products offered in the peripheral vascular diseases business mainly include vena cava filter, Thoracic Aortic Aneurysm stent grafts, Abdominal Aortic Aneurysm stent grafts and Iliac Artery Bifurcation stent grafts. As compared with the corresponding period of 2022, the revenue generated from the sales of stent grafts increased by approximately 15.1% and vena cava filters increased by approximately 7.6%.

### *Revenue from cardiac pacing and electrophysiology business*

The turnover contributed by the cardiac pacing and electrophysiology business for the six months ended 30 June 2023 was approximately RMB32.9 million (corresponding period of 2022: approximately RMB43.7 million), representing a decrease of approximately 24.7% as compared with the corresponding period of 2022.

### **GROSS PROFIT AND GROSS PROFIT MARGIN**

Gross profit of the Group increased by approximately 14.3% from approximately RMB441.6 million for the six months ended 30 June 2022 to approximately RMB504.8 million for the six months ended 30 June 2023.

Gross profit margin decreased by approximately 0.6 percentage points from approximately 79.5% for the six months ended 30 June 2022 to approximately 78.9% for the six months ended 30 June 2023. The decrease was mainly due to (i) the change of sales structure; and (ii) the increase in the unit cost of products, especially for the increase in material and staff costs.

### **OTHER INCOME, EXPENSES, GAINS AND LOSSES**

Other income, expenses, gains and losses decreased from approximately RMB41.3 million for the six months ended 30 June 2022 to approximately RMB39.9 million for the six months ended 30 June 2023. The decrease was mainly due to (i) decreases in gains on disposal of partial interest in associates; and (ii) decreases in net foreign exchange gains.

### **SELLING AND DISTRIBUTION EXPENSES**

Selling and distribution expenses increased by approximately 20.9% from approximately RMB98.6 million for the six months ended 30 June 2022 to approximately RMB119.2 million for the six months ended 30 June 2023. The increase was mainly due to (i) increases in marketing and travelling expenses; and (ii) increases in royalty fee paid and payable to Medtronic, Inc..

### **ADMINISTRATION EXPENSES**

Administration expenses increased by approximately 29.5% from approximately RMB46.1 million for the six months ended 30 June 2022 to approximately RMB59.7 million for the six months ended 30 June 2023. The increase was mainly due to the increase in staff costs and travelling expenses.

## **RESEARCH AND DEVELOPMENT EXPENSES**

R&D expenses increased by approximately 10.3% from approximately RMB100.3 million for the six months ended 30 June 2022 to approximately RMB110.6 million for the six months ended 30 June 2023. In addition, during the current period, approximately RMB51.3 million (corresponding period of 2022: approximately RMB47.5 million) was capitalised as development expenditure. Taking into account such capitalised expenditure, R&D costs increased by approximately 9.5% from approximately RMB147.8 million for the six months ended 30 June 2022 to approximately RMB161.9 million for the six months ended 30 June 2023. The increase was mainly due to (i) increases in expenditures on developing projects, especially for the increase in clinical trials; and (ii) increases in staff costs.

## **OPERATING PROFIT**

During the six months ended 30 June 2023, the Group recorded an operating profit of approximately RMB255.2 million, which represented an increase of approximately 7.3% as compared with the operating profit of approximately RMB237.9 million for the corresponding period of 2022. Such increase was primarily due to the growth of gross profit.

## **SHARE OF RESULTS OF ASSOCIATES**

The Group's share of losses in associates was approximately RMB2.5 million for the six months ended 30 June 2023 (corresponding period of 2022: losses of approximately RMB1.2 million).

## **FINANCIAL ASSETS AT FVTPL**

On 25 May 2018, the Group invested USD6.0 million (equivalent to approximately RMB38.2 million) to subscribe for the partnership interest of approximately 9.69% in Ally Bridge Group Innovation Capital Partners III, L.P., a private equity fund established in the Cayman Islands. The 2018 Equity Fund principally invests in securities or assets of companies in the healthcare industry, with a particular focus on cross-border innovative late-stage venture opportunities and cross-over investments. The fair value of our investment in the 2018 Equity Fund as at 30 June 2023 amounted to approximately RMB10.3 million (31 December 2022: approximately RMB11.2 million), representing approximately 0.3% (31 December 2022: approximately 0.3%) of the Company's total assets. Based on the outlook of the healthcare industry, the Company is optimistic on the prospects of its investments in the 2018 Equity Fund.

On 19 January 2021, the Group invested RMB10.0 million to subscribe for a share of the private securities investment fund managed by First Think Capital. The fair value of this investment as at 30 June 2023 amounted to approximately RMB10.1 million (31 December 2022: approximately RMB10.4 million), representing approximately 0.2% (31 December 2022: approximately 0.3%) of the Company's total assets.

On 24 October 2022, the Group entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe in Ally Bridge Group Global Life Science Capital Partners V, L.P. as a limited partner, for an aggregate consideration of USD20.0 million (equivalent to approximately RMB144.4 million) in cash. The purposes of the 2022 Equity Fund are to seek capital appreciation primarily by acquiring, holding and disposing of securities, independently or with others, primarily in non-listed or, sometimes, listed entities involved in the healthcare industry, with a particular focus on leading innovative technologies. The fair value of our investment in the 2022 Equity Fund as at 30 June 2023 amounted to approximately RMB104.8 million (31 December 2022: approximately RMB105.9 million), representing approximately 2.6% (31 December 2022: approximately 2.9%) of the Company's total assets.

The unrealised foreign exchange gains in financial assets at FVTPL was approximately RMB4.4 million for the six months ended 30 June 2023 (corresponding period of 2022: gains of approximately RMB0.8 million), and the losses from changes in fair value of financial assets at FVTPL was approximately RMB6.7 million (corresponding period of 2022: losses of approximately RMB3.5 million).

In the opinion of the Directors, the above three investments are held for long-term investment purposes and, as such, the investments are classified as non-current assets.

During the six months ended 30 June 2023, the Group also subscribed for short-term structured deposits issued by licensed banks in the PRC for the purpose of utilising its idle funds in a reasonable and efficient manner. Such deposits are principal-protected and floating income structured deposits. The principal amount may only be withdrawn at maturity under their respective terms and conditions. As at 30 June 2023, the total outstanding principal amount of these short-term bank structured deposits was RMB80.0 million (representing, in aggregate, approximately 2.0% of the Company's total assets), with an expected interest rate of 1.5% to 3.3% per annum.

The investments were classified as financial assets at FVTPL in accordance with IFRS 9. Additional information in relation to these investments is set out in Note 10 to the condensed consolidated financial statements in this interim results announcement.



## **EQUITY INSTRUMENTS AT FVTOCI**

On 21 September 2022, the Group entered into a subscription agreement with Jenscare Scientific pursuant to which the Group agreed to subscribe for shares of Jenscare Scientific upon its initial public offering, as a cornerstone investor, for an aggregate consideration of USD20.0 million (equivalent to approximately RMB143.9 million) in cash with the price of HKD27.8 per share. The fair values of the equity securities in the listed entity is determined based on the closing prices quoted in active markets. They are accounted for using their fair values based on quoted market prices. The fair value of this investment as at 30 June 2023 amounted to approximately RMB165.6 million (31 December 2022: approximately RMB335.4 million), representing approximately 4.1% (31 December 2022: approximately 9.1%) of the Company's total assets.

The unrealised foreign exchange gains in equity instruments at FVTOCI was approximately RMB4.5 million for the six months ended 30 June 2023, and the losses from changes in fair value of equity instruments at FVTOCI was approximately RMB174.3 million.

Jenscare Scientific is a medical device company dedicated to the development of interventional products for the treatment of structural heart diseases. Established in 2011, it has developed a series of treatment solutions targeting different types of structural heart diseases, including tricuspid valve diseases, aortic valve diseases, mitral valve diseases and heart failure. The shares of Jenscare Scientific are listed on The Stock Exchange of Hong Kong Limited (stock code: 9877). The Group held 5,646,600 H shares in Jenscare Scientific, representing approximately 4.3% of its total issued share capital as at 30 June 2023.

The investment is classified as equity instruments at FVTOCI in accordance with IFRS 9. Additional information in relation to the investment is set out in Note 11 to the condensed consolidated financial statements in this interim results announcement. In the opinion of the Directors, the above investment is held for long-term strategic investment purposes and, as such, the above investment is classified as non-current asset.

## **FINANCE INCOME AND FINANCE COSTS**

Finance income decreased by approximately 7.0% from approximately RMB4.3 million for the six months ended 30 June 2022 to approximately RMB4.0 million for the six months ended 30 June 2023.

Finance costs decreased by approximately 25.0% from approximately RMB0.4 million for the six months ended 30 June 2022 to approximately RMB0.3 million for the six months ended 30 June 2023.

## **INCOME TAX**

Income tax increased from approximately RMB29.8 million for the six months ended 30 June 2022 to approximately RMB43.8 million for the six months ended 30 June 2023, which was mainly due to increased assessable income.

## **NET PROFIT**

Net profit attributable to owners of the Company for the six months ended 30 June 2023, excluding certain non-recurring items as set out below, was approximately RMB255.2 million as compared with the net profit amounting to approximately RMB247.9 million for the six months ended 30 June 2022, representing an increase of approximately 2.9%. Such non-recurring items include (i) the other losses arising from financial assets at FVTPL related to the investment in Ally Bridge Group Innovation Capital Partners III, L.P. and Ally Bridge Group Global Life Science Capital Partners V, L.P. were approximately RMB1.9 million for the six months ended 30 June 2023 (corresponding period of 2022: losses of approximately RMB3.4 million); and (ii) the share-based payment expenses were approximately RMB33.1 million for the six months ended 30 June 2023 (corresponding period of 2022: approximately RMB29.7 million). Taking into account the effects from such non-recurring items, the net profit attributable to owners of the Company for the six months ended 30 June 2023 was approximately RMB220.2 million, with an increase of approximately RMB5.4 million or approximately 2.5% as compared with the net profit of approximately RMB214.8 million for the six months ended 30 June 2022. The increase was mainly attributable to the growth of gross profit.

## **LIQUIDITY AND FINANCIAL RESOURCES**

During the six months ended 30 June 2023, the Group mainly financed its operations with its own working capital.

The Group recorded total current assets of approximately RMB1,934.5 million as at 30 June 2023 (31 December 2022: approximately RMB1,396.7 million) and total current liabilities of approximately RMB634.8 million as at 30 June 2023 (31 December 2022: approximately RMB584.7 million). As at 30 June 2023, the total current liabilities of the Group primarily included trade and other payables amounting to approximately RMB561.3 million (31 December 2022: approximately RMB531.8 million). Other payables primarily included accrued expenses of approximately RMB171.9 million (31 December 2022: approximately RMB188.5 million) primarily in relation to clinical expenses and exhibition expenses, as well as accrued payroll and bonus of approximately RMB64.9 million (31 December 2022: approximately RMB94.7 million).

Trade receivables in terms of debtor turnover days was 41 days (31 December 2022: 41 days), and trade payables in terms of creditor turnover days was increased to 94 days (31 December 2022: 75 days).

The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group was approximately 3.05 as at 30 June 2023 (31 December 2022: approximately 2.39).

## **BORROWINGS**

As at 30 June 2023 and 31 December 2022, the Group did not have any bank borrowings.

## **CASH AND CASH EQUIVALENT**

As at 30 June 2023, the Group's cash and cash equivalents were approximately RMB775.1 million, representing a decrease of approximately 7.0% from approximately RMB833.8 million as at 31 December 2022. The decrease was mainly due to the deposit of the Group's cash and cash equivalents as short-term structured deposits and fixed bank deposits. The cash and cash equivalents of the Group were mainly denominated in Renminbi and Hong Kong Dollars.

## **GEARING RATIO**

As at 30 June 2023 and 31 December 2022, the Group did not have any bank borrowings and the gearing ratio of the Group (calculated based on the ratio of total bank borrowings to total equity) was zero.

## **CAPITAL STRUCTURE**

Total equity attributable to equity holders of the Company amounted to approximately RMB3,243.3 million as at 30 June 2023 as compared with approximately RMB2,900.4 million as at 31 December 2022.

## **TREASURY POLICY**

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

## **PROPERTY HELD FOR DEVELOPMENT**

On 26 June 2019, Dongguan LifeTech Medical Co., Ltd (東莞市先健醫療有限公司) ("Dongguan LifeTech"), a wholly-owned subsidiary of the Company entered into a land use right transfer contract with the Dongguan Natural Resources Bureau (東莞市自然資源局) for the acquisition of land use right of a land which has a site area of 43,604 square meters located at the southeast of the intersection of South 1 Road and South 8 Road in eastern Songshan Lake, Dongguan, Guangdong, the PRC (the "Land"). The land use right is wholly-owned by the Group which was acquired at a total consideration of approximately RMB43.6 million.

On 24 April 2020, Dongguan LifeTech entered into a construction contract with China Construction Second Engineering Bureau Limited for the construction of an industrial park above the Land. The industrial park is expected to consist of seven buildings comprising underground carparks, plants, offices, canteens and dormitories with a total site area of approximately 43,604 square meters to cater for the Group's day-to-day business and operational needs in Dongguan and nearby regions. The contract price for the construction works is up to a maximum aggregate amount of RMB620.0 million. The construction contract was approved by independent shareholders by way of poll at the extraordinary general meeting ("EGM") of the Company held on 30 June 2020. For further details and information, please refer to the Company's announcements dated 26 June 2019, 24 April 2020 and 30 June 2020 and the circular dated 9 June 2020.

As at 30 June 2023, the construction of the industrial park was completed and the Company has obtained the property ownership certificates of all buildings and basement. As at the date of this interim results announcement, part of the property has been leased, while part of the self-use areas is still under renovation, which is expected to be completed and put into use by the second half of 2023.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

## **SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in this interim results announcement, there were no significant investments held by the Company with a value greater than 5% of its total assets as at 30 June 2023, nor was there any plan authorised by the Board for other material investments or additions of capital assets as at the date of this interim results announcement.

Our Group's investment strategy for significant investments is to identify investment opportunities with growth potential within the healthcare industry and seek opportunities for strategic cooperation. We hold our investments in equity instruments. Our investment objective is to form long-term strategic partnerships with companies in the medical industry with the potential of enriching our product lines and expanding our business scale, thereby maximising shareholders' interests and value.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 30 June 2023.

## **FINANCIAL INSTRUMENT**

As at 30 June 2023, the Group did not have any outstanding hedge contracts or financial derivative instruments.

## **CAPITAL EXPENDITURE**

During the six months ended 30 June 2023, the capital expenditure of the Group for property, plant and equipment, construction in progress, intangible assets, right-of-use assets and deposits for property, plant and equipment amounted to approximately RMB142.8 million (corresponding period of 2022: approximately RMB153.1 million).

## **FOREIGN EXCHANGE EXPOSURE**

During the six months ended 30 June 2023, the Group's operations were primarily based in Asia and Europe. The Group's operational results and financial condition may be affected by exchange rate fluctuations of the foreign currencies. The Group had not implemented any hedging policies to deal with such exposure during the Reporting Period. However, the management of the Group monitors foreign currency exposure closely in order to keep the net exposure to an acceptable level. The Group expects that the exchange rate fluctuations will have no material adverse effect on the Group's operation in the foreseeable future. The Group will consider hedging significant foreign currency exposure should the need arises.

## **CHARGES ON GROUP ASSETS**

The Group did not have any charges on its assets as at 30 June 2023.

## **CAPITAL COMMITMENT**

As at 30 June 2023, the Group's capital expenditure contracted for but not provided in the condensed consolidated financial statements amounted to approximately RMB89.8 million (31 December 2022: approximately RMB89.8 million).

## **SEGMENT INFORMATION**

During the six months ended 30 June 2023, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. Ageing population, urbanisation and the continuous improvement of health awareness by the public, factors which all contribute to the steady growth of the healthcare industry, coupled with our R&D efforts, it is expected that the demand for our Company's products will show an upward trend in the future, thus leading to business growth.

### **Structural Heart Diseases Business**

The Company has developed four generations of congenital heart diseases occluders to satisfy various patients' needs, and to achieve differentiated marketing strategies. At the same time, we continue to upgrade the LAA occluder to meet the growing treatment demand with innovative technology. Driven by a large number of patients with atrial fibrillation around the world, the global market for the LAA occluder is expected to keep growing in the future.

### **Peripheral Vascular Diseases Business**

The Company provides patients with technology-leading systemic and comprehensive interventional medical devices treatment solutions of peripheral vascular diseases. Among those products, the market shares of vena cava filters and stent grafts occupy a leading position in the domestic market. Aging population, increase in diseases detection rate and expansion of product applications are factors would help drive the growth of market demand for these products.

### **Cardiac Pacing and Electrophysiology Business**

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

Please refer to the paragraph headed "Financial Review – Revenue" above for the financial performance of these business segments. Financial information related to these aspects is presented in Note 4 to the condensed consolidated financial statements in this interim results announcement.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2023, the Group had 1,391 (31 December 2022: 1,299) full-time employees and two executive Directors (31 December 2022: two). Total staff costs, including Directors' emoluments, amounted to approximately RMB182.8 million for the six months ended 30 June 2023 (corresponding period of 2022: approximately RMB151.7 million).

The employees of the Group who operate in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government under which the employees are entitled to a monthly pension after retirement. The Group is required to contribute a certain percentage of employee's salaries to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the aforementioned specified contributions. The Group operates the Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. Contributions to these schemes are expensed as incurred. During the six months ended 30 June 2023, the total cost paid or payable in relation to contributions to the retirement benefits scheme was approximately RMB15.8 million (corresponding period of 2022: approximately RMB11.7 million). Forfeited contributions (by the Group on behalf of the employees who leave the aforesaid schemes prior to vesting fully in such contributions) may not be used by the Group to reduce the existing level of contributions.

The Group's remuneration policies were determined with reference to the performance, qualification and working experience of individual employees, as well as the results of the Group and the market conditions. The benefits provided by the Group to its employees include discretionary bonus, transportation and meal subsidies, basic and group medical insurance, work injury insurance, unemployment insurance, annual physical examination, share options, etc. We have a fair and effective performance appraisal system and schemes designed to motivate and reward employees at all levels for their performance and achievements. The Company adopted a share option scheme on 22 October 2011, which was subsequently amended by unanimous written resolutions of the Board on 5 May 2015. On 17 September 2021, as the number of share options which may be granted under such share option scheme had reached its limit and it would soon expire, the Company terminated such share option scheme and adopted a new share option scheme to provide incentives for employees of the Group and other eligible participants thereunder. The Company has adopted a share award scheme on 28 December 2018, which was subsequently amended by unanimous written resolutions of the Board on 29 April 2019. The Company also adopted another share award scheme on 3 March 2022.

Employees are the cornerstone of enterprise development, and the Group is committed to providing all employees with a safe and comfortable working environment, opportunities of equal employment, trainings and career development, such as orientation programmes for new employees, regulation-related trainings and position skills trainings. The Group has also established a labour union to safeguard the legitimate rights of its employees and to further promote the Group's sustainable, stable and healthy development.

## THE 2020 PLACING

On 11 December 2020, the Company completed a placing of an aggregate of 287,320,000 new ordinary shares of the Company, with an aggregate nominal value of USD359.15, at a placing price of HKD3.2368 per share pursuant to a placing agreement dated 4 December 2020 (the "2020 Placing"). As at 30 June 2023, approximately HKD433.9 million brought forward from the net proceeds received by the Company from the 2020 Placing remained unutilised.

As at 30 June 2023, the details and usage of the proceeds from the 2020 Placing were as follows:

Intended use of proceeds	Approximate	Approximate	Approximate	Approximate	Expected timeline for utilisation of unutilised proceeds
	allocation of net proceeds as previously disclosed	amount of net proceeds unutilised as at 31 December 2022	utilisation of proceeds during the six months ended 30 June 2023	amount of net proceeds unutilised as at 30 June 2023	
	(HKD in million)	(HKD in million)	(HKD in million)	(HKD in million)	
Repayment of certain bank borrowings of the Group	406.0	—	—	—	Fully utilised
Funding potential business development involving a new overseas clinical project	465.0	438.6	4.7	433.9	To be applied in the second half of 2023 (HKD6.0 million), 2024 (HKD155.0 million) and 2025 (HKD272.9 million) subject to adjustments (if any)
General working capital of the Group	59.0	—	—	—	Fully utilised
<b>Total</b>	<b>930.0</b>	<b>438.6</b>	<b>4.7</b>	<b>433.9</b>	

Approximately HKD4.7 million of the net proceeds of the 2020 Placing had been utilised during the six months ended 30 June 2023 in accordance with the intended use of proceeds. There has been no change in the intended use of net proceeds. The unutilised net proceeds from the 2020 Placing would be brought forward to the next financial period/year and will be gradually utilised in accordance with the above intended purposes.

For further details, please refer to the Company's announcements dated 4 December 2020 and 11 December 2020.

## **PROJECTS COOPERATION**

In 2019, the Company together with ABG Innovation-Quantum Limited and Quantum Surgical SAS (“Quantum Surgical”), jointly established Dongguan LifeTech-Quantum Medical Technology Co., Ltd. (“LifeTech-Quantum”) to focus on the R&D and commercialisation of specified products (including Quantum Integrated Robotc Platform for Interventional Oncology and next generation versions, etc.) (the “Innovative Surgical Robot”). Lifetech-Quantum shall leverage on the technological advantages, online platforms and capital support of the parties thereof, so as to enhance the pace of obtaining permission to launch the product in the Chinese market and the commercialisation arrangements of the innovative surgical robot, thus benefitting cancer patients in China. Quantum Surgical obtained the CE certification in September 2021 and 510(k) clearance by the US Food and Drug Administration in March 2022 for the Innovative Surgical Robot. In August 2023, Lifetech-Quantum also obtained official registration approval from the National Medical Products Administration for the Innovative Surgical Robot in China.

In 2023, the Company entered into a strategic cooperation agreement with Jenscare Scientific in respect of potential cooperation including but not limited to business development, project investments and financing in China’s mainland and overseas. The Company believes that the cooperation will create synergy with the Group’s businesses and international strategy and provide the Group with the chance to generate further revenue with an aim to enhance the profitability of the Group as a whole.

## **FUTURE PROSPECTS**

With the full liberalisation of the COVID-19 pandemic, economic growth is expected to rebound, however, global trade frictions and geopolitical instability, including the impact of the Russia-Ukraine war, have brought continued uncertainty to the global economic recovery. On the one hand, the Group maintains steady growth in its existing businesses with prudent and pragmatic guidelines. On the other hand, the Group actively seeks new business opportunities to expand its sources of income and diversify its businesses.

Looking further ahead, we will continue to further strengthen our innovation and R&D capabilities to maintain our leading position in the industry. We will also focus on the improvement of automated production, product quality and continue to consolidate and expand the global market share to enhance the Group’s international influence. In addition, we will continue to actively explore investment opportunities and cooperation with companies with sound market potentials in the global medical and health industry, integrate internal and external resources, expand our scope of business, and further deepen the Group’s global presence. By achieving our ambitious goals in the global medical and healthcare field, we will create greater value for patients, doctors, shareholders and other stakeholders.



## **OTHER INFORMATION**

### **INTERIM DIVIDEND**

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (corresponding period of 2022: nil).

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

During the six months ended 30 June 2023, there were no purchase, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

### **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders (the "Shareholders") and enhance its corporate value. The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange as its own code of corporate governance and confirms that it has complied with all material code provisions of the CG Code during the six months ended 30 June 2023, save for the deviation from code provision A.2.1 of the CG Code as mentioned below.

According to code provision A.2.1 of the CG Code, the roles of the Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Subsequent to the resignation of former Chief Executive Officer of the Company, Mr. XIE Yuehui, Chairman of the Board, has been appointed to act as the Chief Executive Officer of the Company on 2 March 2015. Accordingly, the roles of the Chairman of the Board and the Chief Executive Officer are performed by the same individual. Although the dual roles of the Chairman and Chief Executive Officer is a deviation from the code provision A.2.1 of the CG Code, the Board believes that vesting the roles of both Chairman and Chief Executive Officer in an experienced and qualified person such as Mr. XIE Yuehui provides the Company with strong and consistent leadership while allowing for effective and efficient planning and implementation of business decisions and strategies.

The Board reviews the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct for dealing in securities of the Company by the Directors on terms no less exacting than the required standard set out in the Model Code.

Having made specific enquiries with all the Directors, the Company confirmed that all members of the Board complied with the Model Code during the six months ended 30 June 2023.

Senior management, executives and staff members who, because of their offices in the Company, are likely to possess inside information, have also been requested to comply with the provision of the Model Code. No incident of non-compliance with the Model Code by such employees was noted by the Company during the six months ended 30 June 2023.

## **AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS**

The Board has established an audit committee (the "Audit Committee") in accordance with the corporate governance requirements of listed companies of the Stock Exchange. As at the date of this interim results announcement, the Audit Committee consists of three members, all of whom are independent non-executive Directors, namely Mr. LIANG Hsien Tse Joseph who possesses appropriate professional qualifications to serve as its Chairman, Mr. ZHOU Luming and Mr. WANG Wansong.

The Group's unaudited interim results for the six months ended 30 June 2023 and accounting principles have been reviewed and discussed by the Audit Committee, which was of the opinion that the preparation of such results was in compliance with the relevant accounting standards, the Listing Rules and the applicable legal requirements, and that adequate disclosure has been made.

## **PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

The interim results announcement is published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.lifetechmed.com](http://www.lifetechmed.com). The 2023 interim report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

By order of the Board  
**LifeTech Scientific Corporation**  
**XIE Yuehui**  
*Executive Director, Chairman and  
Chief Executive Officer*

Hong Kong, 30 August 2023

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