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## **LifeTech Scientific Corporation** **先健科技公司**

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

**(Stock Code: 1302)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

#### **FINANCIAL HIGHLIGHTS**

- The revenue of the Group was approximately RMB1,267.2 million for the year ended 31 December 2023 as compared to approximately RMB1,097.3 million for the corresponding period of 2022, representing an increase of approximately 15.5%. This increase was mainly due to the increase in revenue from the sales of congenital heart diseases occluders and stent grafts.
- Gross profit was approximately RMB995.6 million for the year ended 31 December 2023 as compared to approximately RMB873.9 million for the corresponding period of 2022, representing an increase of approximately 13.9%.
- Net profit attributable to owners of the Company for the year ended 31 December 2023, excluding certain non-recurring items, was approximately RMB423.3 million as compared to the net profit attributable to owners of the Company amounting to approximately RMB433.4 million in 2022, representing a decrease of approximately 2.3%. The decrease was mainly due to (i) the increase in the research and development expenses; and (ii) the decrease in the net foreign exchange gains.
- Net profit for the year ended 31 December 2023, excluding certain non-recurring items, was approximately RMB400.2 million as compared to the net profit amounting to approximately RMB430.2 million in 2022, representing a decrease of approximately 7.0%. Such non-recurring items included (i) since the significant increase in the valuation of the Series B financing of Biotyx Medical (Shenzhen) Co., Ltd. ("Biotyx Medical") and the corresponding significant increase in the fair value of redeemable shares, the changes in fair value of the financial liabilities at fair value through profit or loss ("FVTPL") were losses of approximately RMB213.8 million in 2023 (2022: losses of RMB7.5 million); (ii) the other gains and losses resulting from financial assets at FVTPL were gains of approximately RMB34.0 million in 2023 (2022: losses of approximately RMB41.3 million); and (iii) the total share-based payment expenses were approximately RMB112.8 million in 2023 (2022: approximately RMB62.7 million), of which the share-based payment expenses associated with Biotyx Medical amounted to RMB57.1 million (2022: nil).
- The Board does not recommend payment of final dividend for the year ended 31 December 2023 (2022: nil).

#### **ANNUAL RESULTS**

The board (the "Board") of directors (the "Directors") of LifeTech Scientific Corporation (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023, together with the comparative figures for the corresponding period of 2022, as follows:

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

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	3	1,267,175	1,097,310
Cost of sales		(271,538)	(223,382)
Gross profit		995,637	873,928
Other income, expenses, gains and losses	4	99,305	60,094
Impairment losses under expected credit loss model, net of reversal		847	(1,907)
Selling and distribution expenses		(265,339)	(245,222)
Administration expenses		(149,251)	(102,478)
Research and development expenses		(297,921)	(208,481)
Operating profit		383,278	375,934
Finance income, net	5	8,091	11,379
Share of results of associates		(1,962)	(1,767)
Changes in fair value of financial liabilities at FVTPL	13	(213,826)	(7,500)
Profit before tax	6	175,581	378,046
Income tax expense	7	(68,091)	(59,307)
Profit for the year		107,490	318,739
Other comprehensive (expense) income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value (loss) gain on investments in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of tax		(221,788)	191,440
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(1,407)	(113)
Other comprehensive (expense) income		(223,195)	191,327
Total comprehensive (expense) income for the year		(115,705)	510,066
Profit (loss) for the year attributable to:			
Owners of the Company		263,242	325,337
Non-controlling interests		(155,752)	(6,598)
		107,490	318,739
Total comprehensive (expense) income attributable to:			
Owners of the Company		40,047	516,664
Non-controlling interests		(155,752)	(6,598)
		(115,705)	510,066
Earnings per share	9		
– Basic		RMB6.0 cents	RMB7.7 cents
– Diluted		RMB5.9 cents	RMB7.4 cents

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>			
Property, plant and equipment		833,779	727,863
Right-of-use assets		51,078	55,528
Investment properties		272,346	246,913
Intangible assets		656,669	442,406
Interests in associates		46,738	42,691
Financial assets at FVTPL		211,376	127,417
Equity instruments at FVTOCI		113,599	335,387
Deposits for acquisition of property, plant and equipment/right-of-use assets		36,605	32,642
Deferred tax assets		83,031	62,598
Fixed bank deposits		160,000	220,000
		<u>2,465,221</u>	<u>2,293,445</u>
<b>Current assets</b>			
Inventories		483,605	241,406
Trade receivables	10	105,185	137,090
Other receivables and prepayments	11	463,041	184,370
Financial assets at FVTPL		120,000	—
Fixed bank deposits		80,000	—
Cash and cash equivalents		979,312	833,792
		<u>2,231,143</u>	<u>1,396,658</u>
<b>Current liabilities</b>			
Trade and other payables	12	710,154	531,846
Contract liabilities		7,754	10,028
Tax liabilities		45,935	37,824
Lease liabilities		6,293	5,037
		<u>770,136</u>	<u>584,735</u>
<b>Net current assets</b>		<u>1,461,007</u>	<u>811,923</u>
<b>Total assets less current liabilities</b>		<u>3,926,228</u>	<u>3,105,368</u>

	NOTES	2023 RMB'000	2022 RMB'000
<b>Non-current liabilities</b>			
Government grants		40,929	37,174
Lease liabilities		3,003	4,637
Financial liabilities at FVTPL	13	558,326	142,500
		<u>602,258</u>	<u>184,311</u>
<b>Net assets</b>		<u>3,323,970</u>	<u>2,921,057</u>
<b>Capital and reserves</b>			
Share capital	14	37	37
Reserves		3,370,205	2,900,408
		<u>3,370,242</u>	<u>2,900,445</u>
Equity attributable to owners of the Company		(46,272)	20,612
Non-controlling interests			
<b>Total equity</b>		<u>3,323,970</u>	<u>2,921,057</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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, Uglund 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 (the "PRC").

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

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

### 2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

#### New and Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendment to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

The application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### 3. REVENUE AND SEGMENT INFORMATION

#### Disaggregation of sales of medical devices through wholesale and recognised at a point in time

	For the year ended 31 December 2023				For the year ended 31 December 2022			
	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
<b>Types of goods</b>								
Sales of medical devices	495,666	707,108	64,401	1,267,175	394,574	644,343	58,393	1,097,310
<b>Geographical markets</b>								
China's mainland	321,885	605,840	64,401	992,126	261,865	574,795	58,393	895,053
Europe	62,103	48,988	—	111,091	42,182	30,482	—	72,664
Asia, excluding China's mainland and India	43,288	24,133	—	67,421	31,471	19,317	—	50,788
India	36,494	9,909	—	46,403	27,312	7,378	—	34,690
South America	21,196	12,338	—	33,534	20,684	9,268	—	29,952
Africa	5,869	5,405	—	11,274	6,287	2,259	—	8,546
Others	4,831	495	—	5,326	4,773	844	—	5,617
<b>Total</b>	<b>495,666</b>	<b>707,108</b>	<b>64,401</b>	<b>1,267,175</b>	<b>394,574</b>	<b>644,343</b>	<b>58,393</b>	<b>1,097,310</b>

The Group manufactures and sells the advanced interventional medical devices for cardiovascular and peripheral vascular diseases and disorders to the corporation directly.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customers have full discretion over the manner of distribution and price to sell the goods, also have the primary responsibility on selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 30 to 180 days (2022: 30 to 180 days) upon delivery.

The contracts of selling medical devices have an original expected duration of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

### 3. REVENUE AND SEGMENT INFORMATION - *continued*

#### **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 maker ("CODM"), for the purposes of resource allocation and assessment of performance.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the allocation of segment assets and liabilities of its reportable segments. Prior year segment disclosures have been represented to conform with the current year's presentation.

The Group's operating segments under IFRS 8 *Operating Segments* 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.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

Information regarding the above segments is reported below.

### 3. REVENUE AND SEGMENT INFORMATION - *continued*

#### Segment Information - *continued*

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

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

For the year ended 31 December 2023

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
<b>SEGMENT REVENUE</b>				
External sales	495,666	707,108	64,401	1,267,175
Segment profit	<u>434,294</u>	<u>533,990</u>	<u>26,687</u>	994,971
Unallocated income				
- Finance income				8,813
- Other income and other gains				116,438
- Impairment losses under expected credit loss model, net of reversal				1,513
Unallocated expense				
- Other expenses and losses				(17,133)
- Selling and distribution expenses				(265,339)
- Administration expenses				(149,251)
- Research and development expenses				(297,921)
- Finance costs				(722)
- Share of results of associates				(1,962)
- Changes in fair value of financial liabilities at FVTPL				(213,826)
<b>Profit before tax</b>				<u>175,581</u>



### 3. REVENUE AND SEGMENT INFORMATION - *continued*

#### Segment Information - *continued*

(a) *Segment revenue and results - continued*

For the year ended 31 December 2022

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Total RMB'000
<b>SEGMENT REVENUE</b>				
External sales	394,574	644,343	58,393	1,097,310
Segment profit	<u>352,250</u>	<u>507,978</u>	<u>13,787</u>	874,015
Unallocated income				
- Finance income				12,011
- Other income and other gains				136,437
Unallocated expense				
- Other expenses and losses				(76,343)
- Selling and distribution expenses				(245,222)
- Administration expenses				(102,478)
- Research and development expenses				(208,481)
- Impairment losses under expected credit loss model, net of reversal				(1,994)
- Finance costs				(632)
- Share of results of associates				(1,767)
- Changes in fair value of financial liabilities at FVTPL				<u>(7,500)</u>
Profit before tax				<u><u>378,046</u></u>

### 3. REVENUE AND SEGMENT INFORMATION - *continued*

#### Segment Information - *continued*

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

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 CODM, for the purposes of resources allocation and assessment of segment performance.

##### (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>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Operating segments		
Structural heart diseases business	<b>625,742</b>	330,622
Peripheral vascular diseases business	<b>892,671</b>	539,908
Cardiac pacing and electrophysiology business	<b>91,937</b>	86,180
	<hr/>	<hr/>
Total segment assets	<b>1,610,350</b>	956,710
Unallocated assets		
Interests in associates	<b>46,738</b>	42,691
Property, plant and equipment	<b>437,952</b>	589,810
Right-of-use assets	<b>51,078</b>	55,528
Investment properties	<b>272,346</b>	246,913
Deferred tax assets	<b>83,031</b>	62,598
Financial assets at FVTPL	<b>331,376</b>	127,417
Equity instruments at FVTOCI	<b>113,599</b>	335,387
Other receivables and prepayments	<b>463,041</b>	184,370
Cash and cash equivalents	<b>979,312</b>	833,792
Fixed bank deposits	<b>240,000</b>	220,000
Intangible assets	<b>30,936</b>	2,245
Deposits paid for property, plant and equipment/right-of-use assets	<b>36,605</b>	32,642
	<hr/>	<hr/>
Consolidated assets	<b>4,696,364</b>	3,690,103
	<hr/> <hr/>	<hr/> <hr/>

### 3. REVENUE AND SEGMENT INFORMATION - *continued*

#### Segment Information - *continued*

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

###### Segment liabilities

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Operating segments		
Structural heart diseases business	<b>124,157</b>	68,506
Peripheral vascular diseases business	<b>177,122</b>	111,871
Cardiac pacing and electrophysiology business	<b>16,132</b>	10,138
	<hr/>	<hr/>
Total segment liabilities	<b>317,411</b>	190,515
Unallocated liabilities		
Other payables	<b>395,748</b>	348,218
Tax liabilities	<b>45,935</b>	37,824
Government grants	<b>45,678</b>	40,315
Lease liabilities	<b>9,296</b>	9,674
Financial liabilities at FVTPL	<b>558,326</b>	142,500
	<hr/>	<hr/>
Consolidated liabilities	<b>1,372,394</b>	769,046
	<hr/> <hr/>	<hr/> <hr/>

For the purposes of monitoring segment performance 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 paid for property, plant and equipment/right-of-use assets; and
- All liabilities are allocated to operating segments in arriving at segment liabilities, which exclude certain other payables, tax liabilities, government grants (include current portion under other payables and non-current portion), lease liabilities, and financial liabilities at FVTPL.

### 3. REVENUE AND SEGMENT INFORMATION - *continued*

#### Segment Information - *continued*

##### (c) *Other segment information*

For the year ended 31 December 2023

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Depreciation of property, plant and equipment	13,653	19,477	1,773	7,886	42,789
Amortisation of intangible assets	5,457	7,784	709	—	13,950
Write-down on inventories	2,451	3,496	318	—	6,265
Impairment losses recognised on trade receivables, net of reversal	260	372	34	—	666

For the year ended 31 December 2022

	Structural heart diseases business RMB'000	Peripheral vascular diseases business RMB'000	Cardiac pacing and electrophysiology business RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or segment assets:					
Depreciation of property, plant and equipment	11,919	19,464	1,764	839	33,986
Amortisation of intangible assets	4,632	7,565	686	—	12,883
Write-down on inventories	212	345	31	—	588
Impairment losses recognised on trade receivables, net of reversal	(31)	(51)	(5)	—	(87)

### 3. REVENUE AND SEGMENT INFORMATION - *continued*

#### Segment Information - *continued*

##### (d) Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers. Information about the Group's non-current assets is presented based on the geographical locations of the assets.

	Revenue from external customers		Non-current assets	
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
China's mainland	992,126	895,053	1,896,222	1,546,523
Europe	111,091	72,664	33	31
Asia, excluding China's mainland and India	67,421	50,788	676	1,155
India	46,403	34,690	284	334
South America	33,534	29,952	—	—
Africa	11,274	8,546	—	—
Others	5,326	5,617	—	—
Total	<u>1,267,175</u>	<u>1,097,310</u>	<u>1,897,215</u>	<u>1,548,043</u>

Note: Non-current assets excluded financial assets at FVTPL, equity instruments at FVTOCI, fixed bank deposits and deferred tax assets.

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

	2023	2022
	RMB'000	RMB'000
Other income and expenses		
Rental income generated from investment properties	43,173	29,258
Government grants	19,937	32,195
Depreciation of investment properties	(8,605)	(6,962)
Others	(8,470)	(3,252)
	<u>46,035</u>	<u>51,239</u>
Other gains and losses		
Gain (loss) from changes in fair value of equity funds	31,011	(40,974)
Unrealised foreign exchange gain (loss) in financial assets at FVTPL	2,548	(3,501)
Gain from changes in fair value of hybrid fund	400	404
Interest from short-term bank structured deposits	3,970	4,638
Other net foreign exchange gain	10,835	57,098
Gain on partial disposal of an associate	—	12,844
Gain on deemed partial disposal of an associate	4,459	—
Gain on early termination of leases	105	—
Loss on disposal of property, plant and equipment and intangible assets	(58)	(341)
Impairment loss of intangible assets	—	(21,313)
	<u>53,270</u>	<u>8,855</u>
	<u>99,305</u>	<u>60,094</u>

#### 5. FINANCE INCOME, NET

	2023	2022
	RMB'000	RMB'000
<b>Finance income from:</b>		
Interest income on bank deposits	8,813	12,011
<b>Finance cost from:</b>		
Interest expense on lease liabilities	(722)	(632)
Finance income, net	<u>8,091</u>	<u>11,379</u>

## 6. PROFIT BEFORE TAX

	2023 RMB'000	2022 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' fees	720	720
Salaries, wages and other benefits	247,453	219,966
Performance related bonus	62,073	67,237
Share-based payment expenses	249,192	65,406
Retirement benefits scheme contributions	33,115	26,839
Less: capitalised in development costs, construction in progress and inventories	<b>(212,742)</b>	(43,643)
	<b>379,811</b>	336,525
Auditor's remuneration (including audit and non-audit services):	3,406	3,009
Audit services	2,873	2,509
Non-audit services	533	500
Cost of inventories recognised as expenses (Note i)	271,538	223,382
Depreciation of property, plant and equipment	42,789	33,986
Depreciation of investment properties	8,605	6,962
Depreciation of right-of-use assets	11,815	13,275
Amortisation of intangible assets (Note ii)	13,950	12,883
Less: capitalised in inventories	<b>(15,516)</b>	(11,591)
Total depreciation and amortisation	<b>61,643</b>	55,515
Gross rental income from investment properties	<b>(43,173)</b>	(29,258)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	<b>8,605</b>	6,962
	<b>(34,568)</b>	(22,296)

### Notes:

- (i) For the year ended 31 December 2023, cost of inventories recognised as expenses included write-down on inventories of RMB6,265,000 (2022: RMB588,000).
- (ii) Amortisation of intangible assets is included in cost of sales, selling and distribution expenses, administration expenses and research and development expenses amounting to approximately RMB865,000 (2022: RMB480,000), RMB15,000 (2022: RMB30,000), RMB1,571,000 (2022: RMB878,000) and RMB11,499,000 (2022: RMB11,495,000) respectively for the year.

## 7. INCOME TAX EXPENSE

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	<b>70,019</b>	60,499
Hong Kong Profits Tax	<b>16,031</b>	16,575
Under (over) provision in prior year		
PRC EIT	<b>2,474</b>	(2,167)
Deferred tax credit:		
Current year	<b>(20,433)</b>	(15,600)
	<b>68,091</b>	59,307

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, two major operating subsidiaries in the PRC. Lifetech Shenzhen was qualified as High and New Technology Enterprise since 2009, which was subsequently renewed in November 2023, and therefore Lifetech Shenzhen is entitled to a preferential income tax rate of 15% for the years ended 31 December 2023 and 2022. Biotyx Medical was qualified as High and New Technology Enterprise in December 2021, and therefore Biotyx Medical is entitled to a preferential income tax rate of 15% for the years ended 31 December 2023 and 2022. The qualification of High and New Technology Enterprises is subject to review by relevant authorities in the PRC for every three years.

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 years.

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



## 8. DIVIDENDS

No dividend was paid or proposed during the years ended 31 December 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:

	2023	2022
	RMB'000	RMB'000
<b>Earnings:</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>263,242</u>	<u>325,337</u>
	2023	2022
	'000	'000
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	4,355,625	4,233,222
Effect of dilutive potential ordinary shares:		
Share Options	31,373	30,499
Awarded Shares	<u>59,123</u>	<u>141,699</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>4,446,121</u>	<u>4,405,420</u>

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

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

## 10. TRADE RECEIVABLES

	2023	2022
	RMB'000	RMB'000
Trade receivables from contracts with customers	109,607	140,846
Less: allowance for credit losses	(4,422)	(3,756)
	<u>105,185</u>	<u>137,090</u>

Trade receivables mainly arose from sales of medical devices.

The Group normally allows a credit period of 30 to 180 days (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 date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2023	2022
	RMB'000	RMB'000
1 to 90 days	61,245	107,046
91 to 180 days	35,977	16,388
181 to 365 days	7,764	13,224
Over 365 days	199	432
	<u>105,185</u>	<u>137,090</u>

## 11. OTHER RECEIVABLES AND PREPAYMENTS

	2023	2022
	RMB'000	RMB'000
Other debtors	16,730	33,156
Value added tax recoverable	61,893	45,296
Prepayments	60,423	56,629
Advance to employees – interest free	36,869	44,665
Advance to employees – others	282,537	—
Rental deposits	3,428	3,600
Other deposits	1,161	1,024
	<u>463,041</u>	<u>184,370</u>

## 12. TRADE PAYABLES

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Trade payables	<b>124,086</b>	62,648

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

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
0 - 30 days	<b>27,738</b>	23,633
31 - 60 days	<b>29,655</b>	16,176
61 - 90 days	<b>15,805</b>	14,317
91 - 120 days	<b>9,754</b>	4,227
Over 120 days	<b>41,134</b>	4,295
	<b>124,086</b>	62,648

## 13. FINANCIAL LIABILITIES AT FVTPL

	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
Capital injection from other investors	<b>558,326</b>	142,500

During the year ended 31 December 2020, Lifetech Shenzhen, a wholly-owned subsidiary of the Company, entered into a shareholders' agreement ("Series A 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 Series A 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. Upon the completion of the above transaction, the Group's equity interest in Biotyx Medical decreased from 66.17% to 57.44%.

During the year ended 31 December 2023, Lifetech Shenzhen entered into another shareholders' agreement ("Series B Agreement") with certain independent third parties for issuance of shares of Biotyx Medical, with a total consideration of RMB202,000,000. Pursuant to the Series B Agreement, during the year ended 31 December 2023, Biotyx Medical received the total capital injection of RMB202,000,000. Upon the completion of the transaction, the Group's equity interest in Biotyx Medical decreased from 57.44% to 49.64%.

Pursuant to the above mentioned Series A and Series B Agreements, 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.

The loss from changes in fair value of RMB213,826,000 (2022: loss of RMB7,500,000) in relation to the financial liabilities was recognised in profit or loss of the Group.

The Group expects that it will be able to satisfy its redemption obligations in the case that the above specific conditions happen.

#### 14. SHARE CAPITAL

	Number of shares	Amount USD	
Ordinary shares			
<b>Authorised:</b>			
At 1 January 2022, 31 December 2022 and 2023 at USD0.00000125 each	<u>40,000,000,000</u>	<u>50,000</u>	
	Number of shares	Amount USD	Shown in the consolidated statement of financial position as RMB'000
<b>Issued and fully paid:</b>			
At 1 January 2022 and 31 December 2022	4,630,030,400	5,789	37
Exercise of share options	<u>202,000</u>	<u>—<sup>#</sup></u>	<u>—<sup>*</sup></u>
<b>At 31 December 2023</b>	<b><u>4,630,232,400</u></b>	<b><u>5,789</u></b>	<b><u>37</u></b>

<sup>#</sup> Less than USD1

<sup>\*</sup> 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 and peripheral vascular diseases and disorders. Currently, the Group has three main product lines, including the structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. The structural heart diseases business mainly consists of congenital heart diseases occluders and left atrial appendage (“LAA”) occluders. The peripheral vascular diseases business mainly includes vena cava filters and stent grafts. The product line for the cardiac pacing and electrophysiology business is mainly related to pacemakers. These product lines provide clinically effective and commercially attractive product offerings.

We currently have distributors in numerous countries across Asia, Europe, North America, South America and Africa, with sales network spreading all over the world.

### **Annual performances**

In 2023, the market demand arising from an aging population, urbanization and the increase of health awareness by the public is the driving force for steady industry growth. During the year, the Group leveraged on its advantages in brand image, strengthened academic promotion such as hosting live demonstrations, online seminars and experience sharing sessions by medical professionals, and optimised resources allocation to promote the Group’s research and development projects, so as to seize opportunities to further develop its business amidst a changing and challenging environment.

During the year ended 31 December 2023, the Group achieved a revenue of approximately RMB1,267.2 million, representing an increase of approximately RMB169.9 million or approximately 15.5% as compared to the revenue of approximately RMB1,097.3 million for the year ended 31 December 2022. China’s mainland remained our largest market, where sales generated from the Chinese market accounted for approximately 78.3% of our total revenue for the year ended 31 December 2023 (2022: approximately 81.6%). Meanwhile, Asia (excluding China’s mainland) and Europe were our two largest overseas markets, which accounted for approximately 9.0% and 8.8% of our total revenue for the year ended 31 December 2023, respectively (2022: approximately 7.8% and 6.6%, respectively). The domestic sales and overseas sales of the Group increased by approximately 10.8% and 36.0%, respectively, as compared with the corresponding period of 2022, which was mainly attributable to (i) the increased penetration of our products in the market; and (ii) the effective implementation of the internationalization development strategies.

### **Sales and marketing**

The Group has an experienced sales and marketing team with professional skills to support and manage existing distribution networks as well as explore new markets. We improved our brand’s and products’ awareness by organizing and participating in domestic and international medical conferences, academic activities, seminars, live broadcast workshops and trainings for medical professionals. Meanwhile, the Group is committed to the establishment and improvement of an academic exchange platform without borders. Lifetech Knowledge Exchange Program, which was established by the Group in 2012, connected cardiovascular experts around the world for academic exchanges. These experts shared and exchanged valuable medical experiences and clinical skills to promote the development of medical technology in the field of minimally invasive cardiovascular interventions. Such activities demonstrated our strength in product innovation and enhanced our international influence, thereby promoted the Company’s sales.

## Research and development (“R&D”)

Independently developed innovative domestic medical device products maintain the competitive strengths of the Company, and also provide more effective treatments to patients around the world. In 2023, the Company continuously strengthened its innovation capabilities and accelerated the development of products, to maintain its leading position in the industry.

During the year ended 31 December 2023, we have made the following main progress in the R&D field:

- AcuMark™ Sizing Balloon, Peripheral Thrombus Aspiration Catheter and Epione™ Surgical Navigation System obtained the National Medical Products Administration (“NMPA”) certification;
- Aegisy™ Vena Cava Filter, AcuMark™ Sizing Balloon, ZoeTrack™ Super Stiff Guidewire, SeQure™ Snare System and Cera™ Vascular Plug System 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), Futhrough™ Endovascular Needle System, FemFlow™ Drug-Eluting Peripheral Balloon Catheter, CeraFlex™ ASD Closure System, Distal Access Catheter Kits, Disposable Vacuum Aspiration Pump, Intracranial Aspiration Catheter and DiAcu™ Single Use Endoscopic Ultrasound Aspiration Needle are pending registration approval in China;
- Ankura™ Ilc Stent Graft System and Ankura™ Chimney Aortic Stent Graft System (consists of the Ankura™ Pro Aortic Stent Graft System and Longuette™ Aortic Branch Stent Graft System) are pending registration approval of CE certification;
- Thoracoabdominal Artery Stent Graft System (consists of the G-Branch™ Thoracoabdominal Aortic Stent Graft System, SilverFlow™ PV Peripheral Vascular Stent Graft System and Aortic Extension Stent Graft System) and Aortic Arch Stent Graft System (consists of the Ankura™ Plus Aortic Arch Stent Graft System and CSkirt™ Aortic Arch Branch Stent Graft System) have completed pre-marketing clinical enrollment and are currently under clinical follow-up in China;
- Concave Supra-arch branched stent-graft system, X-Clip™ Mitral Valve Clip System and X-Clip™ Steerable Guide System have fully completed the clinical study on the first in man (“FIM”) in China;
- Cera™ PFO Occluder and Cinenses™ Lung Volume Reduction Reverser System are currently at the stage of the pre-registration clinical enrollment in China;
- IBS Angel™ Iron Bioresorbable Scaffold System (the only absorbable stent product suitable for children globally) obtained CE MDR certification;
- IBS Titan™ Sirolimus-Eluting Iron Bioresorbable Peripheral Scaffold System has successfully completed the first clinical enrollment in Europe, its CE registration application has been submitted; 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”). Currently, the five-year follow-up of the FIM clinical study has been successfully completed, the Phase II and Phase III are also at the stage of clinical follow-up, and its CE registration application has been submitted.

## **PATENTS AND BRANDING**

Intellectual property is an important intangible asset of the Group, and is also an internal driving force for improving our core competitiveness in the medical device market. During the year ended 31 December 2023, the Group had filed 351 patent applications while 204 patents were registered. As at 31 December 2023, the Group had filed a total of 2,147 valid patent applications, of which 942 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 annual results announcement.

### **Revenue**

The revenue of the Group was approximately RMB1,267.2 million for the year ended 31 December 2023, representing an increase of approximately RMB169.9 million or approximately 15.5% from approximately RMB1,097.3 million for the year ended 31 December 2022. This increase was mainly due to the increase in revenue from the sales of congenital heart diseases occluders and stent grafts.

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

The turnover contributed by the structural heart diseases business for the year ended 31 December 2023 was approximately RMB495.7 million, representing a growth of approximately 25.6% from approximately RMB394.6 million for the year ended 31 December 2022.

With the diversification of product portfolio, our products cover a wide spectrum of structural heart diseases business, which mainly include LAA occluders and three generations of congenital heart diseases occluders namely HeartR, Cera and CeraFlex. As compared to the year ended 31 December 2022, the revenue generated from the sales of congenital heart diseases occluders and LAA occluders for the year ended 31 December 2023 increased by approximately 23.1% and 32.0%, respectively.

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

The turnover contributed by the peripheral vascular diseases business for the year ended 31 December 2023 was approximately RMB707.1 million, representing a growth of approximately 9.7% from approximately RMB644.3 million for the year ended 31 December 2022.

The products we offered in the peripheral vascular diseases business mainly include vena cava filters, Thoracic Aortic Aneurysm stent grafts, Abdominal Aortic Aneurysm stent grafts and Iliac Artery Bifurcation stent grafts. As compared to the year ended 31 December 2022, the revenue generated from the sales of stent grafts for the year ended 31 December 2023 increased by approximately 11.2%, while vena cava filters decreased by approximately 1.0%.

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

The turnover contributed by the cardiac pacing and electrophysiology business for the year ended 31 December 2023 was approximately RMB64.4 million, representing a growth of approximately 10.3% from approximately RMB58.4 million for the year ended 31 December 2022.

### **Gross profit and gross profit margin**

Gross profit of the Group increased by approximately 13.9% from approximately RMB873.9 million for the year ended 31 December 2022 to approximately RMB995.6 million for the year ended 31 December 2023. Gross profit margin decreased 1.0 percentage points from approximately 79.6% for the year ended 31 December 2022 to approximately 78.6% for the year ended 31 December 2023. The decrease is mainly due to (i) the increase in material and labor costs, as well as the operational costs associated with the commissioning of the Songshan Lake Industrial Park, leading to an increase in the unit cost of products; and (ii) the decrease in the unit selling price of certain products in specific regions due to the impact of the centralized procurement policy.

### **Other income, expenses, gains and losses**

Other income, expenses, gains and losses increased from gains of approximately RMB60.1 million for the year ended 31 December 2022 to approximately RMB99.3 million for the year ended 31 December 2023, which was mainly due to the increase in the gains from changes in fair value of financial assets at FVTPL.

### **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"). 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. The fair value of our investment in the 2018 Equity Fund as at 31 December 2023 amounted to approximately RMB9.9 million (2022: approximately RMB11.2 million), representing approximately 0.2% (2022: approximately 0.3%) of the Company's total assets. Based on the cumulative net distributions of approximately RMB57.8 million in 2021 and 2020, coupled with the outlook of the healthcare industry, the Company is optimistic on the prospects for the investments of the 2018 Equity Fund.

On 8 January 2021, the Group invested RMB10.0 million to subscribe for a share of the private securities investment fund. The fair value of this investment as at 31 December 2023 amounted to approximately RMB10.3 million (2022: approximately RMB10.4 million), representing approximately 0.2% (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 for the partnership interest in Ally Bridge Group Global Life Science Capital Partners V, L.P. (the "2022 Equity Fund"), 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 persons 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 31 December 2023 amounted to approximately RMB140.7 million (2022: approximately RMB105.9 million), representing approximately 3.0% (2022: approximately 2.9%) of the Company's total assets.

On 28 November 2023, the Group invested RMB50.0 million to subscribe for a share of the private securities investment fund. The fair value of this investment as at 31 December 2023 amounted to approximately RMB50.5 million, representing approximately 1.1% of the Company's total assets.



The aggregate unrealised foreign exchange gains in financial assets at FVTPL was approximately RMB2.5 million for the year ended 31 December 2023 (2022: losses of approximately RMB3.5 million), and the aggregate gain from changes in fair value of financial assets at FVTPL was approximately RMB31.4 million for the year ended 31 December 2023 (2022: losses of approximately RMB40.6 million).

The investments are classified as financial assets at FVTPL in accordance with IFRS 9. In the opinion of the Directors, the above investments are held for long-term strategic investment purposes and, as such, the above investments are classified as non-current assets.

### **Selling and distribution expenses**

Selling and distribution expenses increased by approximately 8.2% from approximately RMB245.2 million for the year ended 31 December 2022 to approximately RMB265.3 million for the year ended 31 December 2023. This increase was mainly due to the increase in marketing expenses.

### **Administration expenses**

Administration expenses increased by approximately 45.7% from approximately RMB102.5 million for the year ended 31 December 2022 to approximately RMB149.3 million for the year ended 31 December 2023. This increase was mainly due to the increase in staff costs, of which the increase in the share-based payment expenses associated with Biotyx Medical amounted to RMB14.0 million.

### **Research and development expenses**

Research and development expenses increased by approximately 42.9% from approximately RMB208.5 million for the year ended 31 December 2022 to approximately RMB297.9 million for the year ended 31 December 2023. In addition, during the year ended 31 December 2023, approximately RMB223.5 million (2022: approximately RMB109.0 million) was capitalised in development expenditure. Considering such capitalised expenditure, research and development cost increased by approximately 64.2% from approximately RMB317.5 million for the year ended 31 December 2022 to approximately RMB521.4 million for the year ended 31 December 2023. This increase was mainly due to (i) an increase in staff costs, of which the increase in the share-based payment expenses associated with Biotyx Medical amounted to approximately RMB43.1 million; and (ii) an increase in developing projects expenditure driven by the accelerated progress in the R&D projects.

### **Operating profit**

Operating profit increased by approximately 2.0% from approximately RMB375.9 million for the year ended 31 December 2022 to approximately RMB383.3 million for the year ended 31 December 2023. This increase was primarily due to (i) a growth of gross profit; and (ii) an increase in the gains from changes in fair value of the financial assets at FVTPL.

### **Share of results of associates**

The Group's share of losses in associates was approximately RMB2.0 million for the year ended 31 December 2023 (2022: losses of approximately RMB1.8 million).

### **Finance income and finance costs**

The Company earned an interest income of approximately RMB8.8 million for the year ended 31 December 2023 (2022: approximately RMB12.0 million).

The finance costs were approximately RMB0.7 million for the year ended 31 December 2023 (2022: approximately RMB0.6 million).

### **Financial liabilities at FVTPL**

In 2020, Lifetech Shenzhen, a wholly-owned subsidiary of the Company, entered into Series A Agreement with certain independent third parties, and in 2023 entered into Series B Agreement with certain independent third parties, for issuance of shares of Biotyx Medical. Pursuant to the above mentioned Series A and Series B Agreements, if Biotyx Medical is unable to meet certain specified conditions under agreed timeframe, some holders of these shares will have the right to require Biotyx Medical to redeem all of their shares at the predetermined consideration. Accordingly, such shares are classified as a financial liability.

Since the significant increase in the valuation of the Series B financing of Biotyx Medical and the corresponding significant increase in the fair value of redeemable shares, the loss from changes in fair value of approximately RMB213.8 million (2022: loss of RMB7.5 million) in relation to the financial liabilities was recognised in profit or loss of the Group.

Additional information is set out in note 13 to the consolidated financial statements in this annual results announcement.

### **Income tax**

Income tax increased from approximately RMB59.3 million for the year ended 31 December 2022 to approximately 68.1 million for the year ended 31 December 2023. This increase was mainly due to the increase in assessable income.

### **Net profit**

Net profit for the year ended 31 December 2023, excluding certain non-recurring items, was approximately RMB400.2 million as compared to the net profit amounting to approximately RMB430.2 million in 2022, representing a decrease of approximately 7.0%. Such non-recurring items included (i) since the significant increase in the valuation of the Series B financing of Biotyx Medical and the corresponding significant increase in the fair value of redeemable shares, the changes in fair value of the financial liabilities at FVTPL were losses of approximately RMB213.8 million in 2023 (2022: losses of RMB7.5 million); (ii) the other gains and losses resulting from financial assets at FVTPL were gains of approximately RMB34.0 million in 2023 (2022: losses of approximately RMB41.3 million); and (iii) the total share-based payment expenses were approximately RMB112.8 million in 2023 (2022: approximately RMB62.7 million), of which the share-based payment expenses associated with Biotyx Medical amounted to RMB57.1 million (2022: nil). Net profit attributable to owners of the Company for the year ended 31 December 2023, excluding the above mentioned non-recurring items, was approximately RMB423.3 million as compared to the net profit attributable to owners of the Company amounting to approximately RMB433.4 million in 2022, representing a decrease of approximately 2.3%.

Considering the above mentioned non-recurring items, the Company recorded a net profit attributable to owners of the Company for the year ended 31 December 2023 of approximately RMB263.2 million, as compared to the net profit attributable to owners of the Company of approximately RMB325.3 million in 2022, representing a decrease of approximately 19.1%.

### Equity instruments at FVTOCI

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 USD20.0 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 listed entity are 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 31 December 2023 amounted to approximately RMB113.6 million (2022: approximately RMB335.4 million), representing approximately 2.4% (2022: approximately 9.1%) of the Company's total assets.

The unrealised foreign exchange gain in equity instruments at FVTOCI was approximately RMB1.5 million for the year ended 31 December 2023 (2022: loss of approximately RMB1.7 million), and the loss from changes in fair value of equity instruments at FVTOCI was approximately RMB223.3 million for the year ended 31 December 2023 (2022: gain of approximately RMB193.2 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 31 December 2023.

The investment is classified as equity instruments at FVTOCI in accordance with IFRS 9. 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.

### LIQUIDITY AND FINANCIAL RESOURCES

In 2023, the Group mainly financed its operations with its own working capital.

The Group recorded total current assets of approximately RMB2,231.1 million as at 31 December 2023 (31 December 2022: approximately RMB1,396.7 million) and total current liabilities of approximately RMB770.1 million as at 31 December 2023 (31 December 2022: approximately RMB584.7 million). As at 31 December 2023, total current liabilities of the Group primarily included trade payables and other payables amounting to approximately RMB710.2 million (31 December 2022: approximately RMB531.8 million). Trade and other payables primarily included accrued expenses of approximately RMB163.0 million (31 December 2022: approximately RMB188.5 million), of which primarily in relation to clinical expenses and exhibition expenses, as well as accrued payroll and bonus of approximately RMB107.9 million (31 December 2022: approximately RMB94.7 million).

Trade receivables in terms of debtor turnover days was decreased to 34 days (2022: 41 days), while trade payables in terms of creditor turnover days was increased to 124 days (2022: 75 days).

The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group was approximately 2.90 as at 31 December 2023 (31 December 2022: approximately 2.39).

## **CASH AND CASH EQUIVALENTS**

As at 31 December 2023, the Group's cash and cash equivalents were approximately RMB979.3 million, representing an increase of approximately 17.5% from approximately RMB833.8 million as at 31 December 2022. The increase was mainly due to the increase in cash flow from ordinary operating activities. The cash and cash equivalents of the Group were mainly denominated in Renminbi and Hong Kong Dollars.

## **GEARING RATIO**

As at 31 December 2023 and 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 RMB3,370.2 million as at 31 December 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 placed to seize future growth opportunities as and when such opportunities appear.

## **PROPERTY HELD**

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 of the Land 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 car parks, comprising plant, offices, canteen 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, 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 for further information.

As at 31 December 2023, the construction of the industrial park was completed and the Company has obtained property ownership certificates of all buildings and basements. As at the date of this annual results announcement, the renovation of the self-use factory areas has been completed, and it has now been officially put into production. This significant progress will reinforce the company's production and operational capabilities, paving the way for business expansion.

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

There were no significant investments held by the Company with a value greater than 5% of its total assets as at 31 December 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 annual 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. 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' interest and to create more value.

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

There were no material acquisitions or disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

## **CONTINGENT LIABILITIES**

The Group did not have any significant contingent liabilities as at 31 December 2023.

## **FINANCIAL INSTRUMENT**

As at 31 December 2023, the Group did not have any outstanding hedge contracts or financial derivative instruments.

## **CAPITAL EXPENDITURE**

For the year ended 31 December 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/right-of-use assets amounted to approximately RMB420.7 million (2022: approximately RMB332.0 million).

## **FOREIGN EXCHANGE RISK**

During the year ended 31 December 2023, the Group primarily conducted its operations in both the PRC and Europe. The revenue generated from Europe accounted for approximately 8.8% (2022: approximately 6.6%) of the Group's total revenue. The operational results and financial condition of the Group may be affected by fluctuations in the exchange rates involving the currencies used in its business transactions. Although the Group did not implement any hedging strategies to mitigate this exposure during the Reporting Period, the management of the Group closely monitors foreign currency exposure 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 operation of the Group in the foreseeable future. The Group will consider hedging significant foreign currency exposure should the need arises.

## **CHARGES ON GROUP ASSETS**

As at 31 December 2023, the Group did not have any charges on its assets.

## **CAPITAL COMMITMENT**

As at 31 December 2023, the Group's capital expenditure contracted for but not provided in the consolidated financial statements amounted to approximately RMB91.5 million (31 December 2022: approximately RMB89.8 million).

## **SEGMENT INFORMATION**

During the year ended 31 December 2023, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. Driven by the aging population, urbanization and the increase of health awareness by the public, the industry is well-positioned for sustained growth. Combined with the Group's committed research and development endeavors, it is expected that the market demand for the Company's products will show an upward trend in the future, which will lead 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 occluders 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 occluders is expected to sustain growth in the forthcoming years.

### **Peripheral vascular diseases business**

The Company offers patients 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 graft systems occupy a leading position in the domestic market. With the aging of the population, the increase of diseases detection rate and the expansion of product applications, the market demand for these products is expected to keep growing.

### **Cardiac pacing and electrophysiology business**

The Company is the first manufacturer in China that has a complete product portfolio of 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 optimistic expected in the future.

Financial information related to these aspects is presented in note 3 to the consolidated financial statements in this annual results announcement.

## **EMPLOYEES AND REMUNERATION POLICY**

As at 31 December 2023, the Group had 1,446 (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 RMB379.8 million for the year ended 31 December 2023 (2022: approximately RMB336.5 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 ("MPF Scheme") for all qualifying employees in Hong Kong. Contributions to these schemes are expensed as incurred. During the year ended 31 December 2023, the total costs paid or payables in relation to contributions to the retirement benefits scheme was approximately RMB33.1 million (2022: approximately RMB26.8 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 work 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 and 17 September 2021, respectively, and also adopted a share award scheme on 28 December 2018 and 3 March 2022, respectively, which providing incentives for employees of the Group and other eligible participants thereunder.

Employees are the cornerstone of enterprise development, and the Group is committed to providing all employees with a secure and comfortable work 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.

## **FUTURE PROSPECTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

In 2023, the medical device industry has gradually recovered from the challenges brought by the COVID-19 pandemic, the recovery of the industry has led to a rebound in demand, providing us with an opportunity to consolidate our market position and expand our industrial influence. Meanwhile, with the expansion of the scope of centralized procurement for high-value medical consumables, domestic medical device companies are facing certain short-term performance pressures. To this end, the Group has increased its investment in research and development, focusing on developing new materials and technologies, and is committed to product innovation and category expansion. We firmly believe that the long-term benefits of innovation will far outweigh any short-term challenges.

Looking ahead, the Group will operate our existing businesses with prudent and pragmatic guidelines, actively seek investment opportunities that maximize the shareholders' benefits, and diversify the business risks by expanding our income sources. We remain committed to enhancing technology, automating production, and improving product quality, thereby bolstering our Group's innovative capabilities. We will also continue to optimize our production and sales model, consolidate and expand our global market share, and strengthen our international influence. Additionally, we will actively explore investment and cooperation opportunities with companies which have strong market potential in the global medical and health industry. By integrating internal and external advantageous resources, we aim to expand our business scope and further establish our Group's global presence. By achieving our ambitious goals in the global medical and health field, we strive to create greater value for patients, doctors, shareholders and other stakeholders.

## **ENVIRONMENT AND SUSTAINABILITY**

We are committed to creating a successful business that is not achieved at the expense of the environment. The Company is dedicated to creating an environmentally friendly and sustainable operation. Our most significant environmental impact is created within our properties and manufacturing facilities, and through the use of raw materials, electricity, fuel, paper and waste generation. We therefore invest in the latest technology to reduce our carbon emissions through energy efficient equipment. Internally, we are proactive in addressing our waste and recycling issues.

For further details and related data analysis on the environmental and social performance of the Group, please refer to our 2023 Environmental, Social and Governance Report which will be published as a separate report at the same time as the publication of 2023 annual report.

## **COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS**

To the best of the Directors' knowledge, information and belief on the date of this annual results announcement, the Company has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.



## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the principles of corporate governance and applied the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as its own code of corporate governance and confirms that it has complied with the code provisions set out in the CG Code throughout the year ended 31 December 2023, save for a deviation from code provision C.2.1 of the CG Code as Mr. XIE Yuehui served as both the Chairman of the Board and the Chief Executive Officer. Details are set out in the section headed "Chairman and Chief Executive Officer" below. The Company is committed to making necessary arrangements to comply with all the code provisions.

The Board will continue to review and enhance its corporate governance practice of the Company to ensure compliance with the CG Code, keep abreast of the latest developments, and meet the rising expectations of shareholders and investors.

## 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").

Pursuant to the 2020 Placing, an aggregate of 287,320,000 new ordinary shares, representing approximately 6.21% of the issued share capital of the Company as enlarged by the allotment and issue of the new shares immediately after the completion of the 2020 Placing, have been successfully placed to not less than six placees who and whose ultimate beneficial owner(s), to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, are independent of the Company. None of the placees and their respective ultimate beneficial owners has become a substantial shareholder (as defined under the Listing Rules) of the Company as a result of the placing.

The placing price of HKD3.2368 per placing share represents:

- (i) a discount of approximately 11.6% to the closing price of HKD3.660 per share of the Company as quoted on the Stock Exchange on 3 December 2020, being the trading day prior to the date of the placing agreement;
- (ii) a discount of approximately 9.3% to the average closing price of approximately HKD3.570 per share of the Company as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the date of the placing agreement; and
- (iii) a discount of approximately 2.3% to the average closing price of approximately HKD3.313 per share of the Company as quoted on the Stock Exchange for the ten consecutive trading days immediately prior to the date of the placing agreement.

The net placing price (after deducting the costs and expenses incurred for the 2020 Placing) was approximately HKD3.2366 per placing share. The net proceeds raised from the 2020 Placing were approximately HKD930.0 million. As at 31 December 2023, the usage of the proceeds from the 2020 Placing was as follows:

	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate utilisation of proceeds during the year ended 31 December 2023 (HKD in million)	Approximate utilisation of proceeds as at 31 December 2023 (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2023 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Intended use of proceeds					
Repayment of certain bank borrowings of the Group	406.0	—	406.0	—	Fully utilised
Funding potential business development involving a new overseas clinical project	465.0	20.6	47.0	418.0	To be applied in 2024 (HKD70.0 million) and 2025 (HKD348.0 million) subject to adjustments (if any)
General working capital of the Group	59.0	—	59.0	—	Fully utilised
<b>Total</b>	<b>930.0</b>	<b>20.6</b>	<b>512.0</b>	<b>418.0</b>	

Approximately HKD512.0 million of the net proceeds of the 2020 Placing had been utilised in accordance with the intended use of proceeds. There has been no change in the intended use of net proceeds. The unutilised net proceeds would be brought forward to the next financial year and will be gradually utilised in accordance with the above intended purposes.

The Directors consider that the 2020 Placing represented an opportunity to raise capital while broadening its capital and shareholder base. The Directors were of the view that the 2020 Placing would strengthen the financial position of the Company and provide working capital to the Company.

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

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

During the year ended 31 December 2023, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities.

### **DIRECTORS' INTEREST IN COMPETING BUSINESS**

During the year ended 31 December 2023, none of our Directors or any substantial shareholder (as defined under the Listing Rules) of the Company and their respective close associates had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group which would require disclosure under Rule 8.10 of the Listing Rules.

### **KEY RELATIONSHIPS WITH STAKEHOLDERS**

The Company strives to maintain a good relationship with its employees, customers and suppliers in order to operate a sustainable business and to meet its short-term and long-term objectives.

The Company believes that our employees are our most important and valuable assets. As discussed in the section headed "Employees and Remuneration Policy" under "Management Discussion and Analysis", we provide our employees with remuneration packages that take into account their performance, qualifications and working experience, results of the Group and market conditions with additional benefits including bonuses, various kinds of subsidies and insurance coverage.

The Company strives to maintain and reinforce sound relationships with its customers and suppliers. The Directors and senior management of the Company endeavour to communicate with its customers and suppliers from time to time. We invest in R&D and place emphasis on customers' feedback in order to deliver quality products to our customers and stay competitive in the market.

During the year, there was no material and significant dispute between the Group and its employees, customers or suppliers.

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as its own code of conducts for dealings by Directors in the listed securities of the Company. Having made specific enquiry with all Directors, each of the Directors has confirmed that he has complied with the required standard as set out in the Model Code during the year ended 31 December 2023.

Senior management, executives and staff who, because of their offices in the Company are likely to possess inside information, have also been requested to comply with the Model Code for securities transactions. No incident of non-compliance with the Model Code by such employees was noted by the Company during the year ended 31 December 2023.

## **AUDITORS**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been audited by Deloitte Touche Tohmatsu. There has been no change in the auditors of the Company during the past three years. A resolution will be proposed at the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as auditors of the Company.

## **FINAL DIVIDEND**

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: nil).

## **ANNUAL GENERAL MEETING**

The 2024 annual general meeting of the Company (the "2024 Annual General Meeting") will be held on Monday, 27 May 2024.

## **CLOSURE OF REGISTER OF MEMBERS**

For the purpose of determining the identity of the shareholders who are entitled to attend and vote at the 2024 Annual General Meeting, the register of members of the Company will be closed from Wednesday, 22 May 2024 to Monday, 27 May 2024, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, by no later than 4:30 p.m. on Tuesday, 21 May 2024.

## **AUDIT COMMITTEE REVIEW**

The Group's audited annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure has been made.

## **SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements for the year as approved by the Board of Directors on 28 March 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This preliminary results announcement will be posted on the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the website of the Company (<http://www.lifetechmed.com>). The annual report for the financial year will be despatched to the shareholders of the Company and be available on the same websites in due course.

By Order of the Board

**LifeTech Scientific Corporation**

**XIE Yuehui**

*Executive Director, Chairman  
and Chief Executive Officer*

Hong Kong, 28 March 2024

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