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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 2024

FINANCIAL HIGHLIGHTS

- The turnover for the six months ended 30 June 2024 was approximately RMB652.8 million, representing an increase of approximately 2.1% as compared with the turnover of approximately RMB639.5 million for the six months ended 30 June 2023. Gross profit for the six months ended 30 June 2024 was approximately RMB515.4 million, representing an increase of approximately 2.1% as compared with the gross profit of approximately RMB504.8 million for the six months ended 30 June 2023.
- Net profit attributable to owners of the Company for the six months ended 30 June 2024 was approximately RMB205.6 million, representing a decrease of approximately 6.6% as compared with the net profit attributable to owners of the Company of approximately RMB220.2 million for the corresponding period of 2023. The decrease was mainly due to (i) increases in staff costs resulting from the increase in the share-based payment expenses; and (ii) decreases in net foreign exchange gains.
- The Board did not recommend the payment of any interim dividends for the six months ended 30 June 2024 (corresponding period of 2023: nil).

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024 (the "Reporting Period") together with the comparative figures for the corresponding period of 2023.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	4	652,831	639,505
Cost of sales		(137,447)	(134,700)
Gross profit		515,384	504,805
Other income, expenses, gains and losses	5	49,125	39,940
Selling and distribution expenses		(149,983)	(119,186)
Administration expenses		(72,594)	(59,747)
Research and development expenses		(139,926)	(110,607)
Operating profit		202,006	255,205
Finance income, net		8,004	3,669
Share of losses of associates		(1,365)	(2,453)
Profit before tax	6	208,645	256,421
Income tax expense	7	(22,837)	(43,770)
Profit for the period		185,808	212,651
Other comprehensive expense:			
<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 ("FVTOCI"), net of tax		(93,036)	(169,803)
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(169)	(2,325)
Other comprehensive expense for the period		(93,205)	(172,128)
Total comprehensive income for the period		92,603	40,523
Profit (loss) for the period attributable to:			
Owners of the Company		205,557	220,164
Non-controlling interests		(19,749)	(7,513)
		185,808	212,651
Total comprehensive income (expense) attributable to:			
Owners of the Company		112,352	48,036
Non-controlling interests		(19,749)	(7,513)
		92,603	40,523
Earnings per share	9		
– Basic		RMB4.6 cents	RMB4.9 cents
– Diluted		RMB4.6 cents	RMB4.9 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	NOTES	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		937,011	833,779
Right-of-use assets		46,596	51,078
Investment properties		291,806	272,346
Intangible assets		714,900	656,669
Interests in associates		66,453	46,738
Financial assets at fair value through profit or loss ("FVTPL")	10	244,230	211,376
Equity instruments at FVTOCI	11	20,563	113,599
Deposits for acquisition of property, plant and equipment		26,924	36,605
Deferred tax assets		102,465	83,031
Fixed bank deposits		150,000	160,000
		<u>2,600,948</u>	<u>2,465,221</u>
Current assets			
Inventories		549,561	483,605
Trade receivables	12	122,173	105,185
Other receivables and prepayments	13	505,394	463,041
Financial assets at FVTPL	10	148,000	120,000
Fixed bank deposits		60,912	80,000
Cash and cash equivalents		832,577	979,312
		<u>2,218,617</u>	<u>2,231,143</u>
Current liabilities			
Trade and other payables	14	673,935	710,154
Contract liabilities		3,498	7,754
Tax liabilities		46,557	45,935
Lease liabilities		3,534	6,293
Bank borrowings	16	99,000	—
		<u>826,524</u>	<u>770,136</u>
Net current assets		<u>1,392,093</u>	<u>1,461,007</u>
Total assets less current liabilities		<u>3,993,041</u>	<u>3,926,228</u>

		30 June	31 December
	NOTES	2024	2023
		RMB'000	RMB'000
		(Unaudited)	(Audited)
Non-current liabilities			
Government grants		42,555	40,929
Lease liabilities		1,884	3,003
Financial liabilities at FVTPL	15	558,326	558,326
		602,765	602,258
		3,390,276	3,323,970
Net assets			
Capital and reserves			
Share capital	17	37	37
Reserves		3,422,423	3,370,205
Equity attributable to owners of the Company		3,422,460	3,370,242
Non-controlling interests		(32,184)	(46,272)
Total equity		3,390,276	3,323,970

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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, Ugland 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 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 ("RMB"), 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 2024 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 D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2024 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2023.

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.

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 2024

	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)
SEGMENT REVENUE				
External sales	<u>271,250</u>	<u>380,725</u>	<u>856</u>	<u>652,831</u>
Segment profit (loss)	<u>243,166</u>	<u>285,320</u>	<u>(13,102)</u>	<u>515,384</u>
Unallocated income				
- Other income and other gains				76,135
- Finance income				8,886
Unallocated expense				
- Selling and distribution expenses				(149,983)
- Administration expenses				(72,594)
- Research and development expenses				(139,926)
- Other expenses and losses				(27,010)
- Finance costs				(882)
- Share of losses of associates				<u>(1,365)</u>
Profit before tax				<u>208,645</u>

4. SEGMENT INFORMATION - continued

(a) Segment revenue and results - continued

For the six months ended 30 June 2023

	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)
SEGMENT REVENUE				
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

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	661,496	625,742
Peripheral vascular diseases business	928,639	892,671
Cardiac pacing and electrophysiology business	65,459	91,937
	<hr/>	<hr/>
Total segment assets	1,655,594	1,610,350
Unallocated assets		
Interests in associates	66,453	46,738
Property, plant and equipment	637,038	437,952
Right-of-use assets	46,596	51,078
Investment properties	291,806	272,346
Deferred tax assets	102,465	83,031
Financial assets at FVTPL	392,230	331,376
Equity instruments at FVTOCI	20,563	113,599
Other receivables and prepayments	505,394	463,041
Cash and cash equivalents	832,577	979,312
Fixed bank deposits	210,912	240,000
Intangible assets	31,013	30,936
Deposits for acquisition of property, plant and equipment	26,924	36,605
	<hr/>	<hr/>
Consolidated assets	4,819,565	4,696,364
	<hr/> <hr/>	<hr/> <hr/>

4. SEGMENT INFORMATION - *continued*

(b) Segment assets and liabilities - *continued*

Segment liabilities

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	124,517	124,157
Peripheral vascular diseases business	174,802	177,122
Cardiac pacing and electrophysiology business	23,322	16,132
	<hr/>	<hr/>
Total segment liabilities	322,641	317,411
Unallocated liabilities		
Other payables	350,044	395,748
Lease liabilities	5,418	9,296
Tax liabilities	46,557	45,935
Bank borrowings	99,000	—
Government grants	47,303	45,678
Financial liabilities at FVTPL	558,326	558,326
	<hr/>	<hr/>
Consolidated liabilities	1,429,289	1,372,394

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 liabilities, bank borrowings, 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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income and expenses		
Government grants	7,941	8,971
Rental income generated from investment properties	17,097	21,836
Depreciation of investment properties	(4,397)	(4,085)
Others	(1,831)	(4,259)
	18,810	22,463
Other gains and losses		
Losses on disposal of property, plant and equipment and intangible assets	—	(45)
Losses from changes in fair value of hybrid funds	(18,243)	(296)
Gains (losses) from changes in fair value of equity funds	50,163	(6,355)
Unrealised foreign exchange gains in financial assets at FVTPL	934	4,412
Other net foreign exchange (losses) gains	(2,539)	19,761
	30,315	17,477
	49,125	39,940

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' fees	360	360
Salaries, wages, performance related bonus and other benefits	168,356	151,638
Share-based payment expenses	61,325	33,138
Retirement benefits scheme contributions	18,032	15,772
Less: capitalised in development costs, construction in progress and inventories	(19,849)	(18,127)
	228,224	182,781
Cost of inventories recognised as expenses	137,447	134,700
Depreciation of property, plant and equipment	25,562	21,453
Depreciation of right-of-use assets	4,989	5,980
Depreciation of investment properties	4,397	4,085
Amortisation of intangible assets	6,828	7,003
Total depreciation and amortisation	41,776	38,521
Gross rental income from investment properties	(17,097)	(21,836)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	4,397	4,085
	(12,700)	(17,751)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax charge:		
PRC Enterprise Income Tax ("PRC EIT")	34,210	42,486
Hong Kong Profits Tax	8,059	4,246
Deferred tax credit:		
Current period	(19,432)	(2,962)
	22,837	43,770

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 2024 and 2023.

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 2024 and 2023, 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:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	205,557	220,164
	<hr/>	<hr/>
	Six months ended 30 June	
	2024	2023
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	4,420,884	4,448,603
Effect of dilutive potential ordinary shares:		
Share options	12,927	33,276
Award shares	18,351	19,212
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,452,162	4,501,091
	<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 2024 and 2023.

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Financial assets mandatorily measured at FVTPL:		
Non-current assets		
Unlisted funds		
– Equity funds (Note i)	201,716	150,619
– Hybrid funds (Note ii)	42,514	60,757
	244,230	211,376
Current assets		
Short-term bank structured deposits (Note iii)	148,000	120,000

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 (“2021 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.

On 28 November 2023, the Group entered into a contract to purchase another hybrid fund unit (“2023 Hybrid Fund”) with a financial institution, which was accounted for as financial assets at FVTPL on initial recognition, for a consideration of RMB50,000,000 in cash.

- (iii) During the six months ended 30 June 2024, Lifetech Shenzhen entered into structured deposit agreements with certain banks in PRC.

10. FINANCIAL ASSETS AT FVTPL - *continued*

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 funds 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 2023: 9.69%) and 6.21% (31 December 2023: 12.64%) interest respectively in the 2018 Equity Fund and 2022 Equity Fund as at 30 June 2024.

11. EQUITY INSTRUMENTS AT FVTOCI

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Listed:		
– Equity securities listed in Hong Kong (Note)	20,563	113,599

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 Jenscare Scientific 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 2023: 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:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
1 - 90 days	74,802	61,245
91 - 180 days	40,535	35,977
181 - 365 days	5,405	7,764
Over 365 days	1,431	199
	122,173	105,185

13. OTHER RECEIVABLES AND PREPAYMENTS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Other debtors (Note i)	16,514	16,730
Value added tax deductible	73,234	61,893
Prepayments	90,679	60,423
Advance to employees - interest free	35,867	36,869
Advance to employees - others (Note ii)	284,551	282,537
Rental deposits	3,182	3,428
Other deposits	1,367	1,161
	505,394	463,041

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 Advance to Employees represents deferred payment from employees of the Group who acquired 230,945,000 shares under the Company's share award scheme adopted on 28 December 2018 ("2019 Share Award Scheme") for a purchase price of HKD1.35 per share. Pending the payment of the purchase price of HKD1.35 per share, such shares were held by the trustee of the 2019 Share Award Scheme on behalf of the relevant employees. Pursuant to the conditions accepted by these employees and with the consent of the Company, the ownership of such shares has been transferred to these employees and they are obliged to pay for such shares and complete the taking up of such shares within the remaining life of the 2019 Share Award Scheme. None of these employees is a connected person of the Company as defined under the Listing Rules.

14. TRADE PAYABLES

The credit period granted by suppliers to the Group ranged from 30 to 120 days (corresponding period of 2023: 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:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
0 - 30 days	17,692	27,738
31 - 60 days	9,932	29,655
61 - 120 days	18,565	25,559
Over 120 days	48,124	41,134
	94,313	124,086

15. FINANCIAL LIABILITIES AT FVTPL

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Capital injection from other investors	558,326	558,326

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 above 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.

16. BANK BORROWINGS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Secured bank borrowing (Note)	99,000	—
The carrying amount of the above borrowing is repayable*:		
Within one year	99,000	—
Amounts shown under current liabilities	99,000	—

Note: As at 30 June 2024, the bank borrowing of RMB99,000,000 is secured by an invention patent of Lifetech Shenzhen.

* The amount due is based on scheduled repayment date set out in the loan agreement.

17. SHARE CAPITAL

	Number of Shares	Amount USD
Ordinary Shares		
Authorised:		
At 1 January 2023, 31 December 2023 and 30 June 2024 at USD0.00000125 each	<u>40,000,000,000</u>	<u>50,000</u>
	Number of Shares	Amount USD
		Shown in the condensed consolidated financial statements as RMB'000
Issued and fully paid:		
At 1 January 2023	4,630,030,400	5,789
Exercise of share options	202,000	—#
	<u>4,630,232,400</u>	<u>5,789</u>
At 31 December 2023	4,630,232,400	5,789
Exercise of share options	280,000	—#
At 30 June 2024	<u>4,630,512,400</u>	<u>5,789</u>

* Less than RMB1,000.

Less than USD1.

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, Europe, North America, South America and Africa.

FIRST-HALF PERFORMANCE

The Group recorded a revenue of approximately RMB652.8 million for the six months ended 30 June 2024, representing an increase of approximately RMB13.3 million or approximately 2.1% as compared with the revenue of approximately RMB639.5 million for the corresponding period of 2023. China's mainland remained our largest market, where the revenue generated from accounted for approximately 75.1% of our total revenue for the six months ended 30 June 2024 (corresponding period of 2023: approximately 80.4%). Meanwhile, Asia (excluding China's mainland) and Europe were our two largest overseas markets, which accounted for approximately 10.9% and 10.0%, respectively, of our total revenue for the six months ended 30 June 2024 (corresponding period of 2023: approximately 8.5% and 7.5%, respectively). Domestic sales of the Group decreased by approximately 4.7% as compared with the corresponding period of 2023, while overseas sales of the Group increased by approximately 29.8% as compared with the corresponding period of 2023, which was mainly attributable to the Company's active expansion of overseas business and effective marketing strategies.

Net profit attributable to owners of the Company for the six months ended 30 June 2024, was approximately RMB205.6 million, which decreased by approximately RMB14.6 million or approximately 6.6% as compared with the net profit attributable to owners of the Company of approximately RMB220.2 million for the corresponding period of 2023. The decrease was mainly due to (i) increases in staff costs resulting from the increase in the share-based payment expenses; and (ii) decreases in net foreign exchange gains.

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 enhanced 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, the Lifetech Knowledge Exchange Program 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 2024, 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 2024, we have achieved the following milestones in the R&D field:

- DiAcu™ Single Use Endobronchial Ultrasound Aspiration Needle and Distal Access Catheter Kits have obtained the National Medical Products Administration (“NMPA”) certification;
- HeartR™ PDA Occluder, Cera™ PDA Occluder and CeraFlex™ PDA Closure System have obtained the CE MDR (Medical Device Regulation) certification. Such products have previously obtained the CE MDD (Medical Device Directive) certification;
- Aortic Stent Graft System (consists of the Ankura™ Pro Aortic Stent Graft System and Longuette™ Aortic Branch Stent Graft System), Aortic Arch Stent Graft System (consists of the Ankura™ Plus Aortic Arch Stent Graft System and CSkirt™ Aortic Arch Branch Stent Graft System), Peripheral Balloon Dilatation Catheter (Large diameter), Futhrough™ Endovascular Needle System, Balloon Guided Catheter, Affistent™ Tracheal Stent System, Disposable Vacuum Aspiration Pump and Intracranial Aspiration Catheter are pending registration approval in China;
- Fitaya™ Vena Cava Filter System is under 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) have completed its one-year clinical follow-up in China and are working on the clinical summary report;
- CS™ Concave Supra-arch Branched Stent-Graft System, Cera™ PFO Occluder and Cinenses™ Lung Volume Reduction Reverser System are currently at the stage of the pre-registration clinical enrollment in China;
- X-Clip™ Mitral Value Clip System and X-Clip™ Steerable Guide System are at the stage of the pre-registration clinical preparation in China;
- IBS Titan™ Sirolimus-Eluting Iron Bioresorbable Peripheral Scaffold System is currently at the stage of clinical enrollment in Europe, its CE registration application has been submitted; and
- IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System of the phase II and III clinical study are at the stage of the clinical follow-up, and its CE registration application has been submitted.

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 2024, the Group has filed 80 patent applications and separately, 69 patents were successfully registered. As at 30 June 2024, the Group has filed a total of 2,198 valid patent applications, of which 1,008 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 RMB652.8 million for the six months ended 30 June 2024, with an increase of approximately RMB13.3 million or approximately 2.1% as compared with the revenue of approximately RMB639.5 million for the corresponding period of 2023. The increase was mainly due to the increase of revenue from sales of LAA occluders and stent grafts.

Revenue from structural heart diseases business

The turnover contributed by the structural heart diseases business for the six months ended 30 June 2024 was approximately RMB271.2 million (corresponding period of 2023: approximately RMB243.9 million), representing an increase of approximately 11.2% as compared with the corresponding period of 2023.

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 2023, the revenue generated from the sales of LAA occluders and congenital heart diseases occluders increased by approximately 16.0% and 6.4%, respectively.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the six months ended 30 June 2024 was approximately RMB380.7 million (corresponding period of 2023: approximately RMB362.7 million), representing an increase of approximately 5.0% as compared with the corresponding period of 2023.

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 2023, the revenue generated from the sales of stent grafts and vena cava filters increased by approximately 5.1% and 0.9%, respectively.

Revenue from cardiac pacing and electrophysiology business

The turnover contributed by the cardiac pacing and electrophysiology business for the six months ended 30 June 2024 was approximately RMB0.9 million (corresponding period of 2023: approximately RMB32.9 million), representing a decrease of approximately 97.3% as compared with the corresponding period of 2023. The decrease was mainly due to the relocation of the pacemaker production line to the Songshan Lake Park, which required re-validation of equipment and mandated a quality system assessment before the resumption of production.

At present, the Company's implantable cardiac pacemaker compatible with magnetic resonance imaging ("MRI") is in the domestic registration stage. It is expected that the launch of the product will benefit more patients who require an implanted cardiac pacemaker but also need to undergo MRI examinations due to other diseases.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit of the Group increased by approximately 2.1% from approximately RMB504.8 million for the six months ended 30 June 2023 to approximately RMB515.4 million for the six months ended 30 June 2024.

Gross margin for the six months ended 30 June 2024 was approximately 78.9%, being the same with the corresponding period of 2023, which is mainly due to: (i) the change of sales structure, particularly a decrease in revenue of low-gross-margin pacemakers, which correspondingly led to an increase in gross margin; and (ii) the increase in unit cost of products, especially for the increase in material and staff costs, which correspondingly led to a decrease in gross margin. The above two factors were offset by each other, resulting in the gross margin remaining unchanged.

OTHER INCOME, EXPENSES, GAINS AND LOSSES

Other income, expenses, gains and losses increased from approximately RMB39.9 million for the six months ended 30 June 2023 to approximately RMB49.1 million for the six months ended 30 June 2024. The increase was mainly due to increases in the gains from changes in fair value of financial assets at FVTPL particularly the significant increase in gains from the 2022 Equity Fund.

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 2024 amounted to approximately RMB9.4 million (31 December 2023: approximately RMB9.9 million), representing approximately 0.2% (31 December 2023: approximately 0.2%) of the Company's total assets. Based on the cumulative net distributions of approximately RMB57.8 million by the fund to the Group, coupled with the outlook of the healthcare industry, the Company is optimistic on the prospects of its investments in the 2018 Equity Fund.

On 8 January 2021, the Group invested RMB10.0 million to subscribe for a share of the 2021 Hybrid Fund. The fair value of this investment as at 30 June 2024 amounted to approximately RMB12.6 million (31 December 2023: approximately RMB10.3 million), representing approximately 0.3% (31 December 2023: approximately 0.2%) 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 2024 amounted to approximately RMB192.3 million (31 December 2023: approximately RMB140.7 million), representing approximately 4.0% (31 December 2023: approximately 3.0%) of the Company's total assets.

On 28 November 2023, the Group invested RMB50.0 million to subscribe for a share of the 2023 Hybrid Fund. The fair value of this investment as at 30 June 2024 amounted to approximately RMB29.9 million (31 December 2023: approximately RMB50.5 million), representing approximately 0.6% (31 December 2023: approximately 1.1%) of the Company's total assets.

The aggregate unrealised foreign exchange gains in financial assets at FVTPL was approximately RMB0.9 million for the six months ended 30 June 2024 (corresponding period of 2023: gains of approximately RMB4.4 million), and the aggregate gains from changes in fair value of financial assets at FVTPL was approximately RMB31.9 million (corresponding period of 2023: losses of approximately RMB6.7 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 25.8% from approximately RMB119.2 million for the six months ended 30 June 2023 to approximately RMB150.0 million for the six months ended 30 June 2024. The increase was mainly due to (i) increases in staff costs; and (ii) increases in marketing expenses.

ADMINISTRATION EXPENSES

Administration expenses increased by approximately 21.6% from approximately RMB59.7 million for the six months ended 30 June 2023 to approximately RMB72.6 million for the six months ended 30 June 2024. This increase was mainly due to the increase in staff costs resulting from the increase in the share-based payment expenses.

RESEARCH AND DEVELOPMENT EXPENSES

R&D expenses increased by approximately 26.5% from approximately RMB110.6 million for the six months ended 30 June 2023 to approximately RMB139.9 million for the six months ended 30 June 2024. In addition, during the current period, approximately RMB64.3 million (corresponding period of 2023: approximately RMB51.3 million) was capitalised as development expenditure. Taking into account of such capitalised expenditure, R&D costs increased by approximately 26.1% from approximately RMB161.9 million for the six months ended 30 June 2023 to approximately RMB204.2 million for the six months ended 30 June 2024. This increase was mainly due to the increase in staff costs resulting from the increase in the share-based payment expenses.

OPERATING PROFIT

During the six months ended 30 June 2024, the Group recorded an operating profit of approximately RMB202.0 million, which represented a decrease of approximately 20.8% as compared with the operating profit of approximately RMB255.2 million for the corresponding period of 2023. The decrease was mainly due to (i) increases in staff costs resulting from the increase in the share-based payment expenses; and (ii) decreases in net foreign exchange gains.

SHARE OF RESULTS OF ASSOCIATES

The Group's share of losses in associates was approximately RMB1.4 million for the six months ended 30 June 2024 (corresponding period of 2023: losses of approximately RMB2.5 million).

FINANCE INCOME AND FINANCE COSTS

Finance income increased by approximately 122.5% from approximately RMB4.0 million for the six months ended 30 June 2023 to approximately RMB8.9 million for the six months ended 30 June 2024.

Finance costs increased by approximately 200.0% from approximately RMB0.3 million for the six months ended 30 June 2023 to approximately RMB0.9 million for the six months ended 30 June 2024.

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.

The fair value of financial liabilities at FVTPL as at 30 June 2024 amounted to approximately RMB558.3 million (31 December 2023: approximately RMB558.3 million).

Additional information is set out in Note 15 to the condensed consolidated financial statements in this interim results announcement.

INCOME TAX

Income tax decreased from approximately RMB43.8 million for the six months ended 30 June 2023 to approximately RMB22.8 million for the six months ended 30 June 2024, which was mainly due to decreased assessable income.

NET PROFIT

Net profit attributable to owners of the Company for the six months ended 30 June 2024, excluding certain non-recurring items as set out below, was approximately RMB233.6 million as compared with the net profit amounting to approximately RMB255.5 million for the six months ended 30 June 2023, representing a decrease of approximately 8.6%. Such non-recurring items include (i) the other gains arising from financial assets at FVTPL were approximately RMB32.9 million for the six months ended 30 June 2024 (corresponding period of 2023: losses of approximately RMB2.2 million); and (ii) the share-based payment expenses were approximately RMB61.3 million for the six months ended 30 June 2024 (corresponding period of 2023: approximately RMB33.1 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 2024 was approximately RMB205.6 million, with a decrease of approximately RMB14.6 million or approximately 6.6% as compared with approximately RMB220.2 million for the six months ended 30 June 2023. The decrease was mainly due to (i) increases in staff costs resulting from the increase in the share-based payment expenses; and (ii) decreases in net foreign exchange gains.

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 2024 amounted to approximately RMB20.6 million (31 December 2023: approximately RMB113.6 million), representing approximately 0.4% (31 December 2023: approximately 2.4%) of the Company's total assets.

The unrealised foreign exchange gains in equity instruments at FVTOCI was approximately RMB0.2 million for the six months ended 30 June 2024 (corresponding period of 2023: gains approximately RMB4.5 million), and the losses from changes in fair value of equity instruments at FVTOCI was approximately RMB93.2 million (corresponding period of 2023: losses 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 1.8% of its total issued share capital as at 30 June 2024.

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.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2024, the Group mainly financed its operations with its own working capital.

The Group recorded total current assets of approximately RMB2,218.6 million as at 30 June 2024 (31 December 2023: approximately RMB2,231.1 million) and total current liabilities of approximately RMB826.5 million as at 30 June 2024 (31 December 2023: approximately RMB770.1 million). As at 30 June 2024, the total current liabilities of the Group primarily included trade and other payables amounting to approximately RMB673.9 million (31 December 2023: approximately RMB710.2 million). Other payables primarily included accrued expenses of approximately RMB147.1 million (31 December 2023: approximately RMB163.0 million) primarily in relation to clinical expenses and exhibition expenses, as well as accrued payroll and bonus of approximately RMB74.2 million (31 December 2023: approximately RMB107.9 million).

Trade receivables in terms of debtor turnover days was 31 days (31 December 2023: 34 days), and trade payables in terms of creditor turnover days was increased to 143 days (31 December 2023: 124 days).

The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group was approximately 2.68 as at 30 June 2024 (31 December 2023: approximately 2.90).

BORROWINGS

On 29 March 2024, Lifetech Shenzhen, acting as the borrower, entered into a loan agreement (the "Loan Agreement") with China Merchants Bank Co., Ltd. Shenzhen Branch (the "Lender"), pursuant to which the Lender agreed to lend a loan in the amount of RMB99.0 million to Lifetech Shenzhen for a term of nine-month at interest rate of 2.85%. Under the Loan Agreement, an invention patent of Lifetech Shenzhen was pledged as security for the loan granted by the Lender to Lifetech Shenzhen.

As at 30 June 2024, the bank borrowing was RMB99.0 million (31 December 2023: nil) and the interest incurred therefrom was approximately RMB0.7 million for the six months ended 30 June 2024 (corresponding period of 2023: nil) which was recognised as finance costs.

CASH AND CASH EQUIVALENT

As at 30 June 2024, the Group's cash and cash equivalents were approximately RMB832.6 million, representing a decrease of approximately 15.0% from approximately RMB979.3 million as at 31 December 2023. The decrease was mainly due to the increase in expenditure on purchase of shares under share award schemes. The cash and cash equivalents of the Group were mainly denominated in Renminbi.

GEARING RATIO

As at 30 June 2024, the gearing ratio of the Group (calculated based on the ratio of total bank borrowings to total equity) was approximately 2.9% (31 December 2023: nil).

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB3,422.5 million as at 30 June 2024 as compared with approximately RMB3,370.2 million as at 31 December 2023.

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

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 covers a total site area of approximately 43,604 square meters and can 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 2024, 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 interim results announcement, the self-use factory areas has been fully put into production, which will reinforce the company's production and operational capabilities, paving the way for business expansion.

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 2024.

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 2024, 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 2024.

FINANCIAL INSTRUMENT

As at 30 June 2024, the Group did not have any outstanding hedge contracts or financial derivative instruments.

CAPITAL EXPENDITURE

During the six months ended 30 June 2024, 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 RMB213.2 million (corresponding period of 2023: approximately RMB142.8 million).

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2024, 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. Despite the Group had not implemented any hedging policies to deal with such exposure during the Reporting Period, 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, and the Group will consider hedging significant foreign currency exposure should the need arises.

CHARGES ON GROUP ASSETS

As at 30 June 2024, the Group had pledged an invention patent held by Lifetech Shenzhen for the purpose of securing the bank borrowing. For further details and information, please refer to the paragraph headed “Borrowings” in this interim results announcement.

Save as disclosed above, as at 30 June 2024, the Group did not have other charges on its assets.

CAPITAL COMMITMENT

As at 30 June 2024, the Group’s capital expenditure contracted for but not provided in the condensed consolidated financial statements amounted to approximately RMB56.9 million (31 December 2023: approximately RMB91.5 million).

SEGMENT INFORMATION

During the six months ended 30 June 2024, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. An aging population, urbanisation and the continuous improvement of health awareness by the public, are all factors which contribute to the steady growth of the healthcare industry. These trends, along with our R&D efforts, suggest that there will be an increased demand for our products 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. An aging population, increase in diseases detection rate and expansion of product applications are factors that 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 promising 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 2024, the Group had 1,412 (31 December 2023: 1,446) full-time employees and two executive Directors (31 December 2023: two). Total staff costs, including Directors’ emoluments, amounted to approximately RMB228.2 million for the six months ended 30 June 2024 (corresponding period of 2023: approximately RMB182.8 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 2024, the total cost paid or payable in relation to contributions to the retirement benefits scheme was approximately RMB18.0 million (corresponding period of 2023: approximately RMB15.8 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 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 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 2024, approximately HKD407.7 million brought forward from the net proceeds received by the Company from the 2020 Placing remained unutilised.

As at 30 June 2024, the details and usage of the proceeds from the 2020 Placing were as follows:

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2023 (HKD in million)	Approximate utilisation of proceeds during the six months ended 30 June 2024 (HKD in million)	Approximate amount of net proceeds unutilised as at 30 June 2024 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Repayment of certain bank borrowings of the Group	406.0	—	—	—	Fully utilised
Funding potential business development involving a new overseas clinical project	465.0	418.0	10.3	407.7	To be applied in the second half of 2024 (HKD20.0 million), 2025 (HKD155.0 million) and 2026 (HKD232.7 million) subject to adjustments (if any)
General working capital of the Group	59.0	—	—	—	Fully utilised
Total	930.0	418.0	10.3	407.7	

Approximately HKD10.3 million of the net proceeds of the 2020 Placing had been utilised during the six months ended 30 June 2024 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.

FUTURE PROSPECTS

In the first half of 2024, despite the expansion of the centralized procurement scope for high-value medical consumables in China, bringing a certain degree of short-term performance pressure to medical device companies, such expansion is also beneficial to the long-term healthy development of the industry and promotes the further popularization of related device products and therapies. Furthermore, the global medical device market is large and will continue to grow steadily driven by factors such as an aging population, greater health consciousness among residents, increased disease detection rates, and continuous development of new technologies in the industry. This provides broader growth space and opportunities for medical device companies.

By relying on our solid R&D strength, reliable product quality and comprehensive technical support and after-sales services, the Company empowers itself with innovation and independent intellectual property rights to continuously expand its overseas markets. Our overseas business revenue increased significantly during the Reporting Period, and it is expected to occupy a higher share in the global market in the future.

Looking ahead, the Company will continue to focus on the two core development strategies of innovation and internationalization. We will adhere to the principle of prudence and practicality, delve deeply into existing business, focus on the R&D and innovation of new materials and technologies, drive product upgrades and category expansion by leveraging innovation, and effectively diversify business risks through multiple revenue sources. We will continuously promote the upgrading of production automation, strictly control product quality, optimize production and sales processes, and strengthen supply chain management, in order to consolidate and expand our market share globally, further enhancing our international competitiveness.

In addition, we will actively seek new opportunities for cooperation and investment with high-growth potential enterprises in the global healthcare landscape, aiming to integrate global high-quality resources, expand our business, and deepen our global strategic layout. We are determined to become a globally trusted innovative interventional medical device enterprise, dedicated to creating 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 2024 (corresponding period of 2023: nil).

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

During the six months ended 30 June 2024, 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 C1 to the Listing Rules as its own code of corporate governance and confirms that it has complied with the code provisions of the CG Code during the six months ended 30 June 2024, save for the deviation from code provision C.2.1 of the CG Code as mentioned below.

According to code provision C.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 C.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 C3 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 2024.

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 2024.

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 2024 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 and the Company's website at www.lifetechmed.com. The 2024 interim report of the Company containing all the information required by the Listing Rules will be made available 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 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 non-executive Director; and Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming being independent non-executive Directors.