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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 2022

FINANCIAL HIGHLIGHTS

- The turnover for the six months ended 30 June 2022 was approximately RMB555.2 million, representing an increase of approximately 20.4% as compared with the turnover of approximately RMB461.1 million for the six months ended 30 June 2021. Gross profit for the six months ended 30 June 2022 was approximately RMB441.6 million, representing an increase of approximately 17.9% as compared with the gross profit of approximately RMB374.4 million for the six months ended 30 June 2021.
- Net profit attributable to owners of the Company for the six months ended 30 June 2022, excluding certain non-recurring items as set out below, was approximately RMB247.9 million as compared with the net profit amounting to approximately RMB184.4 million for the six months ended 30 June 2021, representing an increase of approximately 34.4%. Such non-recurring items include (i) the other losses arising from financial assets at fair value through profit and loss related to the investment in Ally Bridge Group Innovation Capital Partners III, L.P. were approximately RMB3.4 million for the six months ended 30 June 2022 (corresponding period of 2021: gains of approximately RMB24.1 million); and (ii) the share-based payment expenses were approximately RMB29.7 million for the six months ended 30 June 2022 (corresponding period of 2021: approximately RMB4.1 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 2022 was approximately RMB214.8 million, with an increase of approximately RMB10.4 million or approximately 5.1% as compared with the net profit of approximately RMB204.4 million for the six months ended 30 June 2021.
- The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (corresponding period of 2021: nil).

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

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 2022 (the “Reporting Period”) together with the comparative figures for the corresponding period of 2021.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		Six months ended 30 June	
	NOTES	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	4	555,214	461,141
Cost of sales		(113,639)	(86,789)
Gross profit		441,575	374,352
Other income, expenses, gains and losses	5	41,277	35,386
Selling and distribution expenses		(98,644)	(77,634)
Administration expenses		(46,088)	(39,450)
Research and development expenses		(100,261)	(65,021)
Operating profit		237,859	227,633
Finance income, net		3,914	4,582
Share of losses of associates		(1,153)	(393)
Profit before tax	6	240,620	231,822
Income tax expense	7	(29,751)	(31,171)
Profit for the period		210,869	200,651
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		212	613
Other comprehensive income for the period		212	613
Total comprehensive income for the period		211,081	201,264
Profit (loss) for the period attributable to:			
Owners of the Company		214,784	204,407
Non-controlling interests		(3,915)	(3,756)
		210,869	200,651
Total comprehensive income (expense) attributable to:			
Owners of the Company		214,996	205,020
Non-controlling interests		(3,915)	(3,756)
		211,081	201,264
Earnings per share	9		
– Basic		RMB5.0 cents	RMB4.7 cents
– Diluted		RMB4.8 cents	RMB4.5 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	NOTES	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	692,668	651,962
Right-of-use assets	11	65,600	72,103
Investment properties		139,623	142,481
Intangible assets	10	394,223	364,829
Interests in associates	12	20,381	21,520
Financial assets at fair value through profit and loss ("FVTPL")	13	24,402	27,110
Deposits for acquisition of property, plant and equipment		29,463	19,640
Deferred tax assets		61,983	46,998
		1,428,343	1,346,643
Current assets			
Inventories		168,834	129,286
Trade receivables	14	134,418	110,036
Other receivables and prepayments		143,019	121,374
Financial assets at FVTPL	13	170,000	199,000
Fixed bank deposits		319,851	158,112
Bank balances and cash		916,931	1,119,264
		1,853,053	1,837,072
Current liabilities			
Trade and other payables	15	432,715	429,610
Contract liabilities		3,900	7,223
Tax payables		42,577	34,029
Lease liabilities		7,181	11,045
		486,373	481,907
Net current assets		1,366,680	1,355,165
Total assets less current liabilities		2,795,023	2,701,808
Non-current liabilities			
Government grants	16	42,390	32,080
Lease liabilities		3,009	4,626
Financial liabilities at FVTPL	17	135,000	135,000
		180,399	171,706
Net assets		2,614,624	2,530,102
Capital and reserves			
Share capital	18	37	37
Reserves		2,594,982	2,503,545
Equity attributable to owners of the Company		2,595,019	2,503,582
Non-controlling interests		19,605	26,520
Total equity		2,614,624	2,530,102

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Share capital	Share premium	Other reserve	Translation reserve	Statutory surplus reserve	Capital reserve	Contribution reserve	Share option reserve	Reserve for share award schemes	Accumulated profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (Note i)	RMB'000	RMB'000 (Note ii)	RMB'000	RMB'000 (Note iii)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	37	1,607,945	1,475	1,726	50,207	(3)	32,531	63,392	(188,357)	771,192	2,340,145	18,345	2,358,490
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	204,407	204,407	(3,756)	200,651
Other comprehensive income for the period	–	–	–	613	–	–	–	–	–	–	613	–	613
Total comprehensive income (expense) for the period	–	–	–	613	–	–	–	–	–	204,407	205,020	(3,756)	201,264
Changes in non-controlling interest of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	4,790	4,790
Increase of interests in an associate	–	–	3,638	–	–	–	–	–	–	–	3,638	–	3,638
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	4,527	–	–	4,527	–	4,527
Exercise of share options	–	1,521	–	–	–	–	–	(545)	–	–	976	–	976
At 30 June 2021 (unaudited)	37	1,609,466	5,113	2,339	50,207	(3)	32,531	67,374	(188,357)	975,599	2,554,306	19,379	2,573,685
At 1 January 2022 (audited)	37	1,621,053	1,495	3,792	50,207	(3)	32,531	82,867	(352,061)	1,063,664	2,503,582	26,520	2,530,102
Profit (loss) for the period	–	–	–	–	–	–	–	–	–	214,784	214,784	(3,915)	210,869
Other comprehensive income for the period	–	–	–	212	–	–	–	–	–	–	212	–	212
Total comprehensive income (expense) for the period	–	–	–	212	–	–	–	–	–	214,784	214,996	(3,915)	211,081
Changes in non-controlling interest of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(3,000)	(3,000)
Increase of interests in an associate	–	–	134	–	–	–	–	–	–	–	134	–	134
Recognition of equity-settled share-based payments	–	–	–	–	–	–	–	31,275	–	–	31,275	–	31,275
Purchase of ordinary shares	–	–	–	–	–	–	–	–	(154,968)	–	(154,968)	–	(154,968)
At 30 June 2022 (unaudited)	37	1,621,053	1,629	4,004	50,207	(3)	32,531	114,142	(507,029)	1,278,448	2,595,019	19,605	2,614,624

Notes:

- (i) Statutory surplus reserve is non-distributable and the transfer to this reserve is determined according to the relevant laws in the People's Republic of China ("PRC") and by the board of directors of the PRC subsidiaries in accordance with the Article of Association of the subsidiaries. Statutory surplus reserve can be used to make up for previous years' losses or convert into additional capital of the PRC subsidiaries of the Company.
- (ii) Contribution reserve represents the difference between the fair value of the consideration paid for the acquisition of Lifetech Scientific (Shenzhen) Co., Ltd. (先健科技(深圳)有限公司) ("Lifetech Shenzhen") from shareholders and the carrying amount of the share of net assets acquired in August 2006 and it is regarded as a deemed contribution from shareholders under merger accounting.
- (iii) During the six months ended 30 June 2022, the Company instructed Bank of Communications Trustee Limited and Futu Trustee Limited to purchase 76,844,000 ordinary shares on the market at a consideration of RMB154,968,000 in accordance with the share award schemes. These shares were held on trust by such trustees for the grant of share awards to eligible participants.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	280,799	239,446
Income taxes paid	(36,640)	(40,105)
NET CASH FROM OPERATING ACTIVITIES	244,159	199,341
INVESTING ACTIVITIES		
Deposits paid for and purchase of property, plant and equipment	(117,926)	(113,170)
Payments for intangible assets	(1,800)	(2,561)
Expenditure incurred and capitalised as intangible assets	(46,039)	(26,281)
Government grants received for acquisition of plant and equipment	12,650	5,000
Investment income from financial assets at FVTPL	—	27,667
Interest received from bank deposits	4,331	6,578
Capital contribution to associates	—	(3,100)
Placement of bank structured deposits	(384,000)	—
Release of bank structured deposits	413,000	—
Release of pledged bank deposit	—	78,000
Placement of fixed bank deposits	(161,739)	(489,648)
Release of fixed bank deposits	—	50,000
NET CASH USED IN INVESTING ACTIVITIES	(281,523)	(467,515)
FINANCING ACTIVITIES		
Purchase of shares under share award schemes	(154,968)	—
Repayments of bank borrowings	—	(113,253)
Proceeds from issue of Shares upon exercise of share options	—	976
Interest paid for bank borrowings	—	(1,996)
Repayments of lease liabilities	(6,796)	(6,131)
Repayments of Interest on lease liabilities	(417)	(349)
Changes in non-controlling interests of subsidiaries	(3,000)	4,790
NET CASH USED IN FINANCING ACTIVITIES	(165,181)	(115,963)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(202,545)	(384,137)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	1,119,264	971,683
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	212	613
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	916,931	588,159

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 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 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 2022 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (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 2022 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

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

4. SEGMENT INFORMATION

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

4. SEGMENT INFORMATION - continued

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

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

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

For the six months ended 30 June 2022

	Structural heart diseases business RMB'000 (Unaudited)	Peripheral vascular diseases business RMB'000 (Unaudited)	Cardiac pacing and electrophysiology business RMB'000 (Unaudited)	Subtotal RMB'000 (Unaudited)	Elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
SEGMENT REVENUE						
External sales	194,893	316,591	43,730	555,214	—	555,214
Inter-segment sales	59,215	22,299	2,799	84,313	(84,313)	—
	<u>254,108</u>	<u>338,890</u>	<u>46,529</u>	<u>639,527</u>	<u>(84,313)</u>	<u>555,214</u>
Segment profit	<u>173,682</u>	<u>250,307</u>	<u>17,586</u>	<u>441,575</u>	<u>—</u>	<u>441,575</u>
Unallocated income						
– Other income and other gains						49,823
– Finance income						4,331
Unallocated expense						
– Selling and distribution expenses						(98,644)
– Administration expenses						(46,088)
– Research and development expenses						(100,261)
– Other expenses and losses						(8,546)
– Finance costs						(417)
– Share of losses of associates						(1,153)
Profit before tax						<u>240,620</u>

4. SEGMENT INFORMATION - continued

(a) Segment revenue and results - continued

For the six months ended 30 June 2021

	Structural heart diseases business RMB'000 (Unaudited)	Peripheral vascular diseases business RMB'000 (Unaudited)	Cardiac pacing and electrophysiology business RMB'000 (Unaudited)	Subtotal RMB'000 (Unaudited)	Elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
SEGMENT REVENUE						
External sales	159,083	286,875	15,183	461,141	—	461,141
Inter-segment sales	59,355	14,860	2,034	76,249	(76,249)	—
	<u>218,438</u>	<u>301,735</u>	<u>17,217</u>	<u>537,390</u>	<u>(76,249)</u>	<u>461,141</u>
Segment profit (loss)	<u>142,239</u>	<u>232,310</u>	<u>(197)</u>	<u>374,352</u>	<u>—</u>	<u>374,352</u>
Unallocated income						
– Other income and other gains						58,295
– Finance income						6,578
Unallocated expense						
– Selling and distribution expenses						(77,634)
– Administration expenses						(39,450)
– Research and development expenses						(65,021)
– Other expenses and losses						(22,909)
– Finance costs						(1,996)
– Share of losses of associates						(393)
Profit before tax						<u>231,822</u>

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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	314,730	291,059
Peripheral vascular diseases business	722,078	631,165
Cardiac pacing and electrophysiology business	105,219	113,607
	<hr/>	<hr/>
Total segment assets	1,142,027	1,035,831
Unallocated assets		
Interests in associates	20,381	21,520
Property, plant and equipment	372,183	322,267
Right-of-use assets	65,600	72,103
Investment properties	139,623	142,481
Deferred tax assets	61,983	46,998
Financial assets at FVTPL	194,402	226,110
Other receivables and prepayments	35,293	26,131
Bank balances and cash	916,931	1,119,264
Fixed bank deposits	319,851	158,112
Intangible assets	2,245	2,245
Deposits for acquisition of property, plant and equipment	10,877	10,653
	<hr/>	<hr/>
Consolidated assets	3,281,396	3,183,715
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4. SEGMENT INFORMATION - *continued*

(b) Segment assets and liabilities - *continued*

Segment liabilities

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	55,691	51,380
Peripheral vascular diseases business	112,522	93,778
Cardiac pacing and electrophysiology business	2,102	2,032
	<hr/>	<hr/>
Total segment liabilities	170,315	147,190
Unallocated liabilities		
Other payables	262,870	285,438
Lease liabilities	10,190	15,671
Tax payables	42,577	34,029
Government grants	45,820	36,285
Financial liabilities at FVTPL	135,000	135,000
	<hr/>	<hr/>
Consolidated liabilities	666,772	653,613

For the purposes of monitoring segment performances and allocating resources between segments:

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

5. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Other income and expenses		
Government grants	7,050	10,875
Rental income	17,061	19,538
Depreciation of investment properties	(3,195)	(3,195)
Others	(1,581)	(3,604)
	19,335	23,614
Other gains and losses		
Losses on disposal of property, plant and equipment	(289)	(38)
Investment income from financial assets at FVTPL	—	27,667
Unrealised foreign exchange gains (losses) in financial assets at FVTPL	773	(3,558)
(Losses) gains from changes in fair value of financial assets at FVTPL	(3,481)	215
Gains on disposal of partial interest in an associate	3,180	—
Other net foreign exchange gains (losses)	21,759	(12,514)
	21,942	11,772
	41,277	35,386

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' fees	360	240
Salaries, wages, performance related bonus and other benefits	127,747	93,450
Share-based payment expenses	29,726	4,111
Retirement benefits scheme contributions	11,694	8,304
Less: capitalised in development costs	(17,803)	(16,299)
	151,724	89,806
Cost of inventories recognised as expenses	113,639	86,789
Depreciation of property, plant and equipment	16,245	15,961
Depreciation of right-of-use assets	7,843	7,222
Depreciation of investment properties	3,195	3,195
Amortisation of intangible assets	6,161	4,216
Gross rental income from investment properties	(17,061)	(19,538)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	3,195	3,195
	(13,866)	(16,343)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax charge:		
PRC Enterprise Income Tax	39,858	34,131
Hong Kong Profits Tax	4,878	3,542
Deferred tax credit:		
Current period	(14,985)	(6,502)
	29,751	31,171

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 People's Republic of China 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 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 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 2022 and 2021.

The applicable income tax rate of Lifetech Scientific India Private Ltd. in the jurisdiction of India is 30.9% on its taxable profits.

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 2022 and 2021, 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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	214,784	204,407
	4,330,055	4,315,101
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	4,330,055	4,315,101
Effect of dilutive potential ordinary shares:		
Share options	33,293	48,343
Award shares	154,565	216,371
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,517,913	4,579,815

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

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2022, the Group spent approximately RMB4,409,000 (corresponding period of 2021: approximately RMB6,512,000) for the acquisition of equipment and improvement of plant to enhance its manufacturing capabilities. In addition, the Group also incurred approximately RMB53,840,000 (corresponding period of 2021: approximately RMB99,886,000) for construction cost of the industrial park.

During the six months ended 30 June 2022, the Group incurred approximately RMB47,588,000 (corresponding period of 2021: approximately RMB26,697,000) of development expenditure for the development of structural heart diseases business and peripheral vascular diseases business, and incurred approximately RMB1,800,000 (corresponding period of 2021: approximately RMB2,561,000) for the purchase of other intangible assets.

11. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2022			
Carrying amount (audited)	56,181	15,922	72,103
For the six months ended 30 June 2022			
Additions	—	1,340	1,340
Depreciation charge	(767)	(7,076)	(7,843)
As at 30 June 2022			
Carrying amount (unaudited)	55,414	10,186	65,600

During the six months ended 30 June 2022, the Group leases various offices, warehouses and staff dormitories. Lease contracts are entered into for fixed term of 1 to 4 years. Lease terms are negotiated on individual basis and contain different terms. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

12. INTERESTS IN ASSOCIATES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Cost of investment in associates	24,946	25,212
Share of post-acquisition losses and other comprehensive expenses	(4,565)	(3,692)
	20,381	21,520

The following set out the particulars of the associates of the Group as at 30 June 2022 and 31 December 2021, which in the opinion of the Directors, principally affected the results or net assets of the Group:

Name of entities	Country of incorporation	Place of business	Proportion of ownership interest held by the Group		Principle activities
			30 June 2022	31 December 2021	
Shenzhen High-Performance Medical Device National Research Institute Co., Ltd. (深圳高性能醫療器械國家研究院有限公司) ("Joint Laboratory") (Note i)	The PRC	The PRC	10.42%	10.42%	Developing medical devices
Shenzhen Lifetech Cardio Medical Electronics Co., Ltd. (深圳市先健心康醫療電子有限公司) ("Shenzhen Cardio") (Note ii)	The PRC	The PRC	25.75%	31.62%	Developing, manufacturing and trading of medical devices
Shenzhen Advanced Medical Services Co., Ltd. (深圳市領先醫療服務有限公司) ("Advanced Medical") (Note ii)	The PRC	The PRC	40.00%	40.00%	Consulting and technology services

Notes:

- i The Group continues to be able to exercise significant influence over Joint Laboratory because the Group is entitled to appoint one of the five directors under its Articles of Association.
- ii The Group is able to exercise the significant influence over Shenzhen Cardio and Advanced Medical.

All of these associates are accounted for using the equity method in these consolidated financial statements. The Group considers none of its associates is individually material.

Financial information of these companies has not been disclosed since these associates are immaterial to the Group.

13. FINANCIAL ASSETS AT FVTPL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Financial assets mandatorily measured at FVTPL:		
Current assets		
Short-term bank structured deposits	<u>170,000</u>	<u>199,000</u>
Non-current assets		
Unlisted fund		
– Equity fund (Note i)	13,799	17,157
– Hybrid fund (Note ii)	10,603	9,953
	<u>24,402</u>	<u>27,110</u>

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 the partnership interest of approximately 9.69% in Ally Bridge Group Innovation Capital Partners III, L.P. (the "Equity Fund"), as a limited partner, for an aggregate consideration of USD6,000,000 (equivalent to approximately RMB38,202,000) in cash. The 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.
- ii. On 8 January 2021, the Group entered into a contract to purchase a hybrid fund unit with a financial institution, which was accounted as financial assets at FVTPL on initial recognition, for a consideration of RMB10,000,000 in cash.

The above investments in the funds are managed by fund managers. The Group does not have rights to engage in the management of the investments or participate in the financial and operating policy decisions. As such, the Group does not have significant influence over the investments and therefore they are not accounted as associates. The investments are accounted as financial assets at FVTPL in accordance with IFRS 9. In the opinion of the Directors of the Company, the investments in the funds are held for long-term investment purposes and as such, the investments are classified as non-current assets.

14. TRADE RECEIVABLES

The Group normally allows a credit period of 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
1 - 90 days	103,515	78,327
91 - 180 days	17,280	25,726
181 - 365 days	13,051	5,745
Over 365 days	572	238
	134,418	110,036

15. TRADE PAYABLES

The credit period granted by suppliers to the Group ranged from 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0 - 30 days	31,336	27,895
31 - 60 days	7	1,865
61 - 120 days	15,677	668
Over 120 days	2,580	328
	49,600	30,756

16. GOVERNMENT GRANTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grant related to assets:		
At the beginning of the period	36,285	35,423
Additions	12,650	5,000
Released to profit or loss	(3,115)	(2,569)
	<hr/>	<hr/>
At the end of the period	45,820	37,854
	<hr/> <hr/>	<hr/> <hr/>
	30 June	31 December
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Classified as:		
Current liabilities (included in other payables)	3,430	4,205
Non-current liabilities	42,390	32,080
	<hr/>	<hr/>
	45,820	36,285
	<hr/> <hr/>	<hr/> <hr/>

Government grants include subsidies in relation to the acquisition of plant, equipment and the research and development of medical devices. The amount will transfer to income on a systematic basis over the estimated useful lives of the related assets.

During the six months ended 30 June 2022, the Group recognised income of approximately RMB7,050,000 (corresponding period of 2021: approximately RMB10,875,000) of which approximately RMB3,935,000 (corresponding period of 2021: approximately RMB8,306,000) was received and directly recognised in profit or loss.

17. FINANCIAL LIABILITIES AT FVTPL

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Advances from third parties	135,000	135,000

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

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

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

18. SHARE CAPITAL

	Number of Shares	Amount USD	
Ordinary Shares			
Authorised:			
At 1 January 2021, 31 December 2021 and 30 June 2022 at USD0.00000125 each	40,000,000,000	50,000	
			Shown in the condensed consolidated financial statements as RMB'000
	Number of Shares	Amount USD	RMB'000
Issued and fully paid:			
At 1 January 2021	4,626,998,400	5,785	37
Exercise of share options	3,032,000	4	— *
At 31 December 2021	4,630,030,400	5,789	37
At 30 June 2022	4,630,030,400	5,789	37

* Less than RMB1,000.

19. SHARE-BASED PAYMENT TRANSACTIONS

(a) Previous Scheme

A share option scheme was adopted by the Company on 22 October 2011 and was amended by unanimous written resolutions of the Board on 5 May 2015 (the "Previous Scheme") for the primary purpose of providing incentives to eligible participants.

On 5 May 2015, an aggregate of 160,000,000 options was granted subject to certain vesting conditions pursuant to the Previous Scheme to the grantees. The total options are scheduled to be vested in five batches, respectively on 5 May 2016, 5 May 2017, 5 May 2018, 5 May 2019 and 5 May 2020, with 20% of total options in each batch. As at 30 June 2022, 70,189,600 of such options remain outstanding and exercisable.

On 31 March 2021, an aggregate of 33,320,000 options was granted subject to certain vesting conditions pursuant to the Previous Scheme to the grantees. The total options are scheduled to be vested in three batches, respectively on 31 March 2022, 31 March 2023 and 31 March 2024, with 30%, 30% and 40% of total options in each batch. As at 30 June 2022, 9,030,000 of such options remain outstanding and exercisable.

The following table discloses movements in the Company's share options granted to the grantees under the Previous Scheme during the six months ended 30 June 2022:

Types	Number of Shares subject to share options				Outstanding at 30 June 2022
	Outstanding at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	
Share options granted on 5 May 2015:					
Employees					
Batch I	11,816,000	—	—	—	11,816,000
Batch II	12,653,200	—	—	—	12,653,200
Batch III	14,094,800	—	—	—	14,094,800
Batch IV	15,673,200	—	—	—	15,673,200
Batch V	15,952,400	—	—	—	15,952,400
Sub-total	<u>70,189,600</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>70,189,600</u>
Share options granted on 31 March 2021:					
Employees					
Batch I	9,276,000	—	—	(246,000)	9,030,000
Batch II	9,276,000	—	—	(246,000)	9,030,000
Batch III	12,368,000	—	—	(328,000)	12,040,000
Sub-total	<u>30,920,000</u>	<u>—</u>	<u>—</u>	<u>(820,000)</u>	<u>30,100,000</u>
Total	<u>101,109,600</u>	<u>—</u>	<u>—</u>	<u>(820,000)</u>	<u>100,289,600</u>
Exercisable as at 30 June 2022					<u>79,219,600</u>
Weighted average exercise price					<u>HKD2.096</u>

19. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Previous Scheme - *continued*

The following table discloses movements in the Company's share options granted to the grantees under the Previous Scheme during the six months ended 30 June 2021:

Types	Number of Shares subject to share options				Outstanding at 30 June 2021
	Outstanding at 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	
Share options granted on 5 May 2015:					
Employees					
Batch I	12,096,400	—	(185,600)	—	11,910,800
Batch II	13,633,600	—	(4,400)	—	13,629,200
Batch III	15,052,400	—	(270,000)	—	14,782,400
Batch IV	16,190,800	—	(219,600)	—	15,971,200
Batch V	16,248,400	—	(110,400)	—	16,138,000
Sub-total	<u>73,221,600</u>	<u>—</u>	<u>(790,000)</u>	<u>—</u>	<u>72,431,600</u>
Share options granted on 31 March 2021:					
Employees					
Batch I	—	9,996,000	—	—	9,996,000
Batch II	—	9,996,000	—	—	9,996,000
Batch III	—	13,328,000	—	—	13,328,000
Sub-total	<u>—</u>	<u>33,320,000</u>	<u>—</u>	<u>—</u>	<u>33,320,000</u>
Total	<u>73,221,600</u>	<u>33,320,000</u>	<u>(790,000)</u>	<u>—</u>	<u>105,751,600</u>
Exercisable as at 30 June 2021					<u>72,431,600</u>
Weighted average exercise price					<u>HKD2.128</u>

In respect of the share options exercised during the six months ended 30 June 2021, the closing market price (weighted average) immediately before the dates on which the share options exercised was HKD4.751.

19. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) Previous Scheme - *continued*

In respect of the share options granted on 5 May 2015 and 31 March 2021, the fair values were calculated according to the Binomial Model. The inputs into the model were as follows:

Batch	Number of options	Expected life year	Initial underlying HKD	Exercise price HKD	Risk free rate % (Note i)	Dividend yield %	Expected volatility % (Note ii)
Share options granted on 5 May 2015:							
Batch I	32,000,000	7.75	1.410	1.464	1.51	—	55.330
Batch II	32,000,000	8.00	1.410	1.464	1.52	—	55.120
Batch III	32,000,000	8.25	1.410	1.464	1.53	—	54.620
Batch IV	32,000,000	8.50	1.410	1.464	1.55	—	54.180
Batch V	32,000,000	8.75	1.410	1.464	1.56	—	54.190
Share options granted on 31 March 2021:							
Batch I	9,996,000	10.00	3.570	3.570	1.33	—	51.353
Batch II	9,996,000	10.00	3.570	3.570	1.33	—	51.353
Batch III	13,328,000	10.00	3.570	3.570	1.33	—	51.353

Notes:

- (i) Risk-free rate represents the yields of HKD Hong Kong Sovereign Curve with respective tenors as the valuation date. Linear Interpolation is adopted when necessary.
- (ii) Volatility is the average of the annualized standard deviation of daily return of stock price of selected stocks in the same industry with the tenor equal to the option life with reference to Bloomberg. Changes in the subjective input assumptions could materially affect the fair value estimate.

(b) Share Option Scheme

A new share option scheme (the "Share Option Scheme") in place of the Previous Scheme was adopted by the Company on 17 September 2021 for the primary purpose of providing incentives to eligible participants.

On 12 November 2021, an aggregate of 101,800,000 options was granted subject to certain vesting conditions pursuant to the Share Option Scheme to the grantees. The total options are scheduled to be vested in five batches upon completion of the Group's annual performance assessment with 10%, 15%, 20%, 25% and 30% of total options in each batch.

On 10 December 2021, an aggregate of 35,000,000 options was granted subject to certain vesting conditions pursuant to the Share Option Scheme to the grantees. The total options are scheduled to be vested in five batches upon completion of the Group's annual performance assessment with 10%, 15%, 20%, 25% and 30% of total options in each batch.

19. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(b) Share Option Scheme - *continued*

The following table discloses movements in the Company's share options granted to the grantees under the Share Option Scheme during the six months ended 30 June 2022:

Types	Number of Shares subject to share options				Outstanding at 30 June 2022
	Outstanding at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	
Share options granted on 12 November 2021:					
Employees					
Batch I	10,180,000	—	—	—	10,180,000
Batch II	15,270,000	—	—	—	15,270,000
Batch III	20,360,000	—	—	—	20,360,000
Batch IV	25,450,000	—	—	—	25,450,000
Batch V	30,540,000	—	—	—	30,540,000
Sub-total	101,800,000	—	—	—	101,800,000
Share options granted on 10 December 2021:					
Employees					
Batch I	1,100,000	—	—	—	1,100,000
Batch II	1,650,000	—	—	—	1,650,000
Batch III	2,200,000	—	—	—	2,200,000
Batch IV	2,750,000	—	—	—	2,750,000
Batch V	3,300,000	—	—	—	3,300,000
Consultants					
Batch I	2,400,000	—	—	—	2,400,000
Batch II	3,600,000	—	—	—	3,600,000
Batch III	4,800,000	—	—	—	4,800,000
Batch IV	6,000,000	—	—	—	6,000,000
Batch V	7,200,000	—	—	—	7,200,000
Sub-total	35,000,000	—	—	—	35,000,000
Total	136,800,000	—	—	—	136,800,000
Exercisable as at 30 June 2022					—
Weighted average exercise price					HKD3.653

19. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(b) Share Option Scheme - *continued*

In respect of the share options granted on 12 November 2021 and 10 December 2021, the fair values were calculated according to the Binomial Model. The inputs into the model were as follows:

Batch	Number of options	Expected life year	Initial underlying HKD	Exercise price HKD	Risk free rate % (Note i)	Dividend yield %	Expected volatility % (Note ii)
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Share options granted on 12 November 2021:

Batch I	10,180,000	10.00	3.590	3.590	1.39	—	51.53
Batch II	15,270,000	10.00	3.590	3.590	1.39	—	51.53
Batch III	20,360,000	10.00	3.590	3.590	1.39	—	51.53
Batch IV	25,450,000	10.00	3.590	3.590	1.39	—	51.53
Batch V	30,540,000	10.00	3.590	3.590	1.39	—	51.53

Share options granted on 10 December 2021:

Batch I	3,500,000	10.00	3.800	3.836	1.37	—	51.54
Batch II	5,250,000	10.00	3.800	3.836	1.37	—	51.54
Batch III	7,000,000	10.00	3.800	3.836	1.37	—	51.54
Batch IV	8,750,000	10.00	3.800	3.836	1.37	—	51.54
Batch V	10,500,000	10.00	3.800	3.836	1.37	—	51.54

Notes:

- (i) Risk-free rate represents the yields of HKD Hong Kong Sovereign Curve with respective tenors as the valuation date. Linear Interpolation is adopted when necessary.
- (ii) Volatility is the average of the annualized standard deviation of daily return of stock price of selected stocks in the same industry with the tenor equal to the option life with reference to Bloomberg. Changes in the subjective input assumptions could materially affect the fair value estimate.

The Binomial Model had been used to estimate the fair value of the options. The model involves the construction of a binomial lattice which represents different possible paths that might be followed by the stock price over the life of the options. In developing the binomial lattice, the life of the options is divided into various time steps. In each time step there is a binomial stock price movement. The main inputs to the model include the share price of the Company, exercise price, exercise multiple, risk-free rate, expected volatility, dividend yield and expected life of the options. Expected volatility was determined by the historical share price of comparable companies in the relevant period.

For the six months ended 30 June 2022, the Group recognised approximately RMB29,726,000 (corresponding period of 2021: approximately RMB4,111,000) share-based payment expenses in profit or loss. In addition, approximately RMB1,549,000 (corresponding period of 2021: approximately RMB416,000) was capitalised in development costs.

19. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(c) 2019 Share Award Scheme

The Company adopted a share award scheme on 28 December 2018, which was subsequently amended by a unanimous written resolution of the Board on 29 April 2019 (the "2019 Share Award Scheme"). The purpose of the 2019 Share Award Scheme is to (i) recognise and motivate the contributions by certain eligible participants and to incentivise them and retain them for the continual operation and development of the Group; (ii) to attract suitable personnel for further development of the Group; and (iii) to provide certain eligible participants with a direct economic interest in attaining a long-term relationship between the Group and certain eligible participants.

Pursuant to the rules of the 2019 Share Award Scheme, the Board shall not make any further grant of award shares such that the total number of shares granted under the 2019 Share Award Scheme will exceed 10% of the total number of issued shares as at 28 December 2018. The maximum number of award shares that may be granted under the 2019 Share Award Scheme is 433,629,120 shares.

Based on a unanimous written resolution of the Board of Directors of the Company dated 29 September 2020, pursuant to the grant notices and vesting notices to eligible participants dated the same date, a total of 312,620,000 shares of the Company have been granted by the Company to certain senior management/employees at a price of HKD1.35 per ordinary share and fully vested at the same date under 2019 Share Award Scheme, of which 12,645,000 shares were subscribed in 2021. There were no vesting conditions attached to such award shares.

The 2019 Share Award Scheme shall be valid and effective for a term of 10 years commencing on 28 December 2018, after which no further award shares may be offered.

The following table discloses movements during the six months ended 30 June 2022:

	Outstanding at 1 January 2022	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2022
Granted on 29 September 2020:	299,975,000	—	—	—	299,975,000
Total	299,975,000	—	—	—	299,975,000
Exercisable as at 30 June 2022					299,975,000
Exercise price					HKD1.35

19. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(c) 2019 Share Award Scheme - *continued*

The following table discloses movements during the six months ended 30 June 2021:

	Outstanding at 1 January 2021	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2021
Granted on 29 September 2020:	312,620,000	—	—	—	312,620,000
Total	<u>312,620,000</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>312,620,000</u>
Exercisable as at 30 June 2021					<u>312,620,000</u>
Exercise price					<u>HKD1.35</u>

20. OPERATING LEASES

The Group as lessor

All of the properties have committed leases for the next 1 to 10 years.

Minimum lease payments receivable on leases are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within one year	29,332	31,354
In the second to third years inclusive	15,644	16,713
In the third to fourth years inclusive	11,459	10,654
In the fourth to fifth years inclusive	9,462	9,200
In the fifth to sixth years inclusive	6,973	5,701
Over six years	3,024	3,607
	<u>75,894</u>	<u>77,229</u>

21. CAPITAL COMMITMENTS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Capital expenditure in respect of acquisition of property, plant and equipment - contracted for but not provided in the condensed consolidated financial statements	160,471	128,396

22. RELATED PARTY DISCLOSURES

(a) Significant related party transaction

Relationships	Name of entity	Nature of transactions	Six months ended 30 June	
			2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Associate	Advanced Medical	Consulting services	2,903	—
		Equipment leasing	790	—
			3,693	—

(b) Compensation of key management personnel

The remuneration of key management personnel during the period was as follows:

Nature of transactions	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Short-term employee benefits	7,551	6,951
Post-employment benefits	109	93
	7,660	7,044

The remuneration of key management personnel is determined by reference to the performance of individuals and market trends.

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, including structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. The structural heart diseases business mainly includes congenital heart diseases occluder and Left Atrial Appendage (“LAA”) occluder; the peripheral vascular diseases business mainly includes vena cava filter and stent graft; the cardiac pacing and electrophysiology business mainly includes implantable cardiac pacemakers and cardiac pacing lead. These product lines provide clinically effective and commercially attractive product offerings. We have built up a strong sales network spreading around the world and have distributors in numerous countries across Asia, Africa, North America, South America and Europe.

FIRST-HALF PERFORMANCE

In the first half of 2022, with the outbreak of the more transmissible virus variants of the COVID-19 pandemic, stay-at-home orders, quarantine orders, travel restrictions and large-scale virus testing were implemented in some areas, which had a certain impact on the Company’s business. Despite this, the Group still achieved a revenue of approximately RMB555.2 million for the six months ended 30 June 2022, with an increase of approximately RMB94.1 million or approximately 20.4% as compared with the revenue of approximately RMB461.1 million for the six months ended 30 June 2021. Mainland China remained our largest market, as the sales generated from this market accounted for approximately 83.2% of our total revenue for the six months ended 30 June 2022 (corresponding period of 2021: approximately 84.0%). Meanwhile, Europe and Asia (excluding mainland China) were our two largest overseas markets, which accounted for approximately 6.1% and 7.2%, respectively, of our total revenue for the six months ended 30 June 2022 (corresponding period of 2021: approximately 7.3% and 5.2%, respectively). Domestic and overseas sales of the Group increased by approximately 19.3% and 26.4%, respectively, as compared with the corresponding period of 2021, which was mainly attributable to the Company’s effective marketing strategies.

Net profit attributable to owners of the Company for the six months ended 30 June 2022, excluding certain non-recurring items as set out below, was approximately RMB247.9 million as compared with the net profit amounting to approximately RMB184.4 million for the six months ended 30 June 2021, representing an increase of approximately 34.4%. Such non-recurring items include (i) the other losses arising from financial assets at FVTPL related to the investment in Ally Bridge Group Innovation Capital Partners III, L.P. were approximately RMB3.4 million for the six months ended 30 June 2022 (corresponding period of 2021: gains of approximately RMB24.1 million); and (ii) the share-based payment expenses were approximately RMB29.7 million for the six months ended 30 June 2022 (corresponding period of 2021: approximately RMB4.1 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 2022 was approximately RMB214.8 million, with an increase of approximately RMB10.4 million or approximately 5.1% as compared with the net profit of approximately RMB204.4 million for the six months ended 30 June 2021.

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 to explore new markets. We improved the brand awareness and influence of our

products by organizing or participating in domestic and international medical conferences, academic activities, seminars, live broadcasts of procedures and conducting trainings with doctors. Meanwhile, 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 experience and clinical skills to promote the development of medical technology in the field of minimally invasive cardiovascular interventions. Such activities showed our strengths in product innovation, enhanced the international influence and promoted sales of the Company.

RESEARCH AND DEVELOPMENT (“R&D”)

Independently developed innovative domestic medical device products will maintain the competitive strength of the Company and also provide more effective treatment to patients around the world. In the first half of 2022, the Company continuously strengthened its innovation capabilities and accelerated the development of products, so as to maintain its leading position in the industry.

During the six months ended 30 June 2022, we have made the following main progress in the R&D field:

- Fitaya™ Vena Cava Filter System and FemCross™ 35 Peripheral Balloon Dilatation Catheter obtained official registration approval from the National Medical Products Administration;
- Absnow™ Absorbable Atrial Septal Defect Closure System is under the registration approval in China;
- Aortic Stent Graft System (consists of the Ankura™ Pro Aortic Stent Graft System and Longuette™ Aortic Branch Stent Graft System) has completed its one-year clinical follow-up in China;
- G-Branch™ Thoracoabdominal Aortic 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) and Futhrough™ Endovascular Needle System are at the stage of the pre-marketing clinical enrollments in China;
- IBS Angel™ Iron Bioresorbable Scaffold System (the only absorbable stent product suitable for children in the world) was approved in the United States by the Food and Drug Administration for “Compassionate Use” and successfully implanted, and its pre-marketing clinical trials in China are in progress;
- IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System obtained the implied permission for conducting confirmatory clinical trials in China and the pre-marketing clinical trials are well underway; and
- KONAR-MF™ Ventricular Septal Defect Occluder was successfully implanted at the Pediatric Heart Disease & Adult Congenital Heart Disease Center of Showa University Hospital, which was the first implantation and first clinical application of our products in Japan.

INTELLECTUAL PROPERTY RIGHTS

Intellectual property is an important intangible asset of the Group and an internal driving force to improve our core competitiveness in the medical device market. During the six months ended 30 June 2022, the Group has filed 52 patent applications while 86 patents were registered. As at 30 June 2022, the Group has filed a total of 1,567 valid patent applications, of which 668 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 RMB555.2 million for the six months ended 30 June 2022, with an increase of approximately RMB94.1 million or approximately 20.4% as compared with the revenue of approximately RMB461.1 million for the six months ended 30 June 2021. The increase was mainly attributable to the increase of revenue from the sales of cardiac pacemakers, stent grafts and Cera occluders.

Revenue from structural heart diseases business

The turnover contributed by the structural heart diseases business for the six months ended 30 June 2022 was approximately RMB194.9 million (corresponding period of 2021: approximately RMB159.1 million), representing an increase of approximately 22.5% as compared with the corresponding period of 2021.

We have diversified our product portfolio to cover a wide spectrum of the structural heart diseases business, which mainly include LAA occluder and three generations of congenital heart diseases occluders named HeartR, Cera and CeraFlex. As compared with the corresponding period of 2021, the revenue generated from the sales of LAA occluder and congenital heart diseases occluders increased by approximately 13.1% and 30.8%, respectively. For the three generations of congenital heart diseases occluders, the revenue generated from HeartR occluders, Cera occluders and CeraFlex occluders increased by approximately 9.1%, 42.6% and 34.6%, respectively.

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the six months ended 30 June 2022 was approximately RMB316.6 million (corresponding period of 2021: approximately RMB286.8 million), representing an increase of approximately 10.4% as compared with the corresponding period of 2021.

The products offered in the peripheral vascular diseases business mainly included vena cava filter, Thoracic Aortic stent graft, Abdominal Aortic stent graft and Iliac Artery Bifurcation Stent Graft. As compared with the corresponding period of 2021, the revenue generated from the sales of stent grafts increased by approximately 13.9% and vena cava filter decreased by approximately 10.1%.

Revenue from cardiac pacing and electrophysiology business

The turnover contributed by the cardiac pacing and electrophysiology business for the six months ended 30 June 2022 was approximately RMB43.7 million (corresponding period of 2021: approximately RMB15.2 million), representing a growth of approximately 187.5% as compared with the corresponding period of 2021.

The products offered in the cardiac pacing and electrophysiology business mainly included implantable cardiac pacemakers and cardiac pacing leads. As compared with the corresponding period of 2021, the revenue generated from the sales of implantable cardiac pacemakers and cardiac pacing leads increased by approximately 218.2% and 32.6%, respectively.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit of the Group increased by approximately 17.9% from approximately RMB374.4 million for the six months ended 30 June 2021 to approximately RMB441.6 million for the six months ended 30 June 2022.

Gross profit margin decreased by approximately 1.7 percentage points from approximately 81.2% for the six months ended 30 June 2021 to approximately 79.5% for the six months ended 30 June 2022. The decrease was mainly attributable to the change of sales portfolio and the increase in the sales volume of relatively low gross profit margin products.

OTHER INCOME, EXPENSES, GAINS AND LOSSES

Other income, expenses, gains and losses increased from approximately RMB35.4 million for the six months ended 30 June 2021 to approximately RMB41.3 million for the six months ended 30 June 2022, which was mainly due to the increase in net foreign exchange gains.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 27.1% from approximately RMB77.6 million for the six months ended 30 June 2021 to approximately RMB98.6 million for the six months ended 30 June 2022. The increase was mainly due to the increase in staff costs.

ADMINISTRATION EXPENSES

Administration expenses increased by approximately 16.7% from approximately RMB39.5 million for the six months ended 30 June 2021 to approximately RMB46.1 million for the six months ended 30 June 2022. The increase was mainly due to the increase in staff costs.

RESEARCH AND DEVELOPMENT EXPENSES

R&D expenses increased by approximately 54.3% from approximately RMB65.0 million for the six months ended 30 June 2021 to approximately RMB100.3 million for the six months ended 30 June 2022. In addition, during the current period, approximately RMB47.5 million (corresponding period of 2021: approximately RMB26.7 million) was capitalised in development expenditure. Taking into account such capitalised expenditure, R&D cost increased by approximately 61.2% from approximately RMB91.7 million for the six months ended 30 June 2021 to approximately RMB147.8 million for the six months ended 30 June 2022. The increase was mainly due to (i) an increase in expenditure on developing projects; and (ii) an increase in staff costs.

OPERATING PROFIT

During the six months ended 30 June 2022, the Group recorded an operating profit of approximately RMB237.9 million, which represented an increase of approximately 4.5% as compared with the operating profit of approximately RMB227.6 million for the six months ended 30 June 2021. Such increase was primarily due to (i) the growth of gross profit; and (ii) the increase in net foreign exchange gains.

SHARE OF RESULTS OF ASSOCIATES

The Group's share of losses in associates was approximately RMB1.2 million for the six months ended 30 June 2022 (corresponding period of 2021: losses of approximately RMB0.4 million).

FINANCIAL ASSETS AT FVTPL

On 25 May 2018, the Group invested USD6.0 million (equivalent to approximately RMB38.2 million) to subscribe for the partnership interest of approximately 9.69% in Ally Bridge Group Innovation Capital Partners III, L.P., a private equity fund established in Cayman Islands. The 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 Equity Fund as at 30 June 2022 amounted to approximately RMB13.8 million, representing approximately 0.4% of the Company's total assets. During the six months ended 30 June 2022, the Equity Fund did not distribute any investment income to the Group (corresponding period of 2021: approximately RMB27.7 million).

On 19 January 2021, the Group invested RMB10.0 million to subscribe for a share of the private securities investment fund managed by First Think Capital. The fair value of this investment as at 30 June 2022 amounted to approximately RMB10.6 million, representing approximately 0.3% of the Company's total assets.

The unrealised foreign exchange gains in financial assets at FVTPL was approximately RMB0.8 million for the six months ended 30 June 2022 (corresponding period of 2021: losses of approximately RMB3.6 million), and the losses from changes in fair value of financial assets at FVTPL was approximately RMB3.5 million (corresponding period of 2021: gains of approximately RMB0.2 million).

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

During the six months ended 30 June 2022, the Group also subscribed for short-term structured deposits issued by licensed banks in the PRC for the purpose of utilising its idle funds in a reasonable and efficient manner. Such deposits are principal-protected and floating income structured deposits and the principal amount may only be withdrawn at maturity under their terms and conditions. As at 30 June 2022, the total outstanding principal amount of these short-term bank structured deposits was RMB170.0 million (representing, in aggregate, approximately 5.2% of the Company's total assets), with an expected interest rate of 1.0% to 3.4% per annum.

The investments were classified as financial assets at FVTPL in accordance with IFRS 9. Additional information in relation to these investments is set out in Note 13 to the condensed consolidated financial statements in this interim results announcement.

FINANCE INCOME AND FINANCE COSTS

Finance income decreased by approximately 34.8% from approximately RMB6.6 million for the six months ended 30 June 2021 to approximately RMB4.3 million for the six months ended 30 June 2022.

Finance costs decreased by approximately 80.0% from approximately RMB2.0 million for the six months ended 30 June 2021 to approximately RMB0.4 million for the six months ended 30 June 2022. The decrease was due to the decrease in interest-bearing bank borrowings.

INCOME TAX

Income tax decreased from approximately RMB31.2 million for the six months ended 30 June 2021 to approximately RMB29.8 million for the six months ended 30 June 2022, which was mainly due to the decrease in assessable income.

NET PROFIT

Net profit attributable to owners of the Company for the six months ended 30 June 2022, excluding certain non-recurring items as set out below, was approximately RMB247.9 million as compared with the net profit amounting to approximately RMB184.4 million for the six months ended 30 June 2021, representing an increase of approximately 34.4%. Such non-recurring items include (i) the other losses arising from financial assets at FVTPL related to the investment in Ally Bridge Group Innovation Capital Partners III, L.P. were approximately RMB3.4 million for the six months ended 30 June 2022 (corresponding period of 2021: gains of approximately RMB24.1 million); and (ii) the share-based payment expenses were approximately RMB29.7 million for the six months ended 30 June 2022 (corresponding period of 2021: approximately RMB4.1 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 2022 was approximately RMB214.8 million, with an increase of approximately RMB10.4 million or approximately 5.1% as compared with the net profit of approximately RMB204.4 million for the six months ended 30 June 2021. The increase was mainly attributable to (i) the growth of gross profit; and (ii) the increase in net foreign exchange gains.

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2022, the Group mainly financed its operations with its own working capital and equity funding.

The Group recorded total current assets of approximately RMB1,853.1 million as at 30 June 2022 (31 December 2021: approximately RMB1,837.1 million) and total current liabilities of approximately RMB486.4 million as at 30 June 2022 (31 December 2021: approximately RMB481.9 million). As at 30 June 2022, the total current liabilities of the Group primarily included trade and other payables amounting to approximately RMB432.7 million (31 December 2021: approximately RMB429.6 million). Other payables primarily included accrued expenses of approximately RMB113.3 million (31 December 2021: approximately RMB158.8 million) primarily in relation to clinical expenses and exhibition expenses, as well as accrued payroll and bonus of approximately RMB57.6 million (31 December 2021: approximately RMB69.3 million).

The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group was approximately 3.81 as at 30 June 2022 (31 December 2021: approximately 3.81).

BORROWINGS

As at 30 June 2022 and 31 December 2021, the Group did not have any bank borrowings.

CASH AND CASH EQUIVALENT

As at 30 June 2022, the Group's cash and cash equivalents were approximately RMB916.9 million, representing a decrease of approximately 18.1% from approximately RMB1,119.3 million as at 31 December 2021. The decrease was mainly due to the deposit of the Group's cash and cash equivalents as fixed bank deposits. Our cash and cash equivalents were mainly denominated in Renminbi and Hong Kong Dollars.

GEARING RATIO

As at 30 June 2022 and 31 December 2021, the Group did not have any bank borrowings and the gearing ratio (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 RMB2,595.0 million as at 30 June 2022 as compared with approximately RMB2,503.6 million as at 31 December 2021.

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 FOR DEVELOPMENT

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

On 24 April 2020, Dongguan LifeTech entered into a construction contract with China Construction Second Engineering Bureau Limited for the construction of an industrial park above the Land. The industrial park is expected to consist of seven buildings comprising underground 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 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 the date of this interim results announcement, the entire basement and the main structure of all seven buildings have been completed. The decoration of the industrial park is in progress and it is expected to be completed and ready for operation in 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2022.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the paragraph headed “Financial Review – Financial Assets at FVTPL”, there were no significant investments held by the Company for the six months ended 30 June 2022, nor was there any plan authorized 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 maximizing shareholders’ interests and creating more value.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2022.

FINANCIAL INSTRUMENT

During the six months ended 30 June 2022, the Group did not have or use any financial instruments for hedging purpose.

CAPITAL EXPENDITURE

During the six months ended 30 June 2022, the capital expenditure of the Group for property, plant and equipment, construction in progress, intangible assets and deposits for property, plant and equipment amounted to approximately RMB153.1 million (corresponding period of 2021: approximately RMB137.0 million).

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2022, the Group’s operations were primarily based in Asia and Europe. The Group’s operational results and financial condition may be affected by fluctuations in the exchange rates of the foreign currencies which the Group conducts its businesses with, such as Euro, US Dollars, Indian Rupees and

Hong Kong Dollars. The Group had not implemented any hedging policies to deal with such exposure during the Reporting Period. However, the management of the Group monitors foreign currency exposure closely in order to keep the net exposure to an acceptable level. The Group will consider hedging significant foreign currency exposure should the need arises.

CHARGES ON GROUP ASSETS

The Group did not have any charges on its assets as at 30 June 2022.

SEGMENT INFORMATION

During the six months ended 30 June 2022, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. With the aging population, urbanization and the increase of health awareness by the public driving steady growth in the industry, together with our effort in R&D, 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 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. 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 Company is optimistic about the future market performance of its domestically-made pacemakers.

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had 1,144 (31 December 2021: 943) full-time employees and two executive Directors (31 December 2021: two). Total staff costs, including Directors' emoluments, amounted to approximately RMB151.7 million for the six months ended 30 June 2022 (corresponding period of 2021: approximately RMB89.8 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 2022, the total cost paid or payable in relation to contributions to the retirement benefits scheme was approximately RMB11.7 million (corresponding period of 2021: approximately RMB8.3 million). Forfeited contributions (by the Group on behalf of the employees who leave the aforesaid schemes prior to vesting fully in such contributions) may be not used by the Group to reduce the existing level of contributions.

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

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

THE 2020 PLACING

On 11 December 2020, the Company completed a placing of an aggregate of 287,320,000 new ordinary shares of the Company, with an aggregate nominal value of USD359.15, at a placing price of HKD3.2368 per share pursuant to a placing agreement dated 4 December 2020 (the "2020 Placing"). As at 30 June 2022, approximately HKD443.6 million brought forward from the net proceeds received by the Company from the 2020 Placing remained unutilised.

As at 30 June 2022, 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	Approximate amount of net proceeds unutilised as at 31 December 2021	Approximate utilisation of proceeds during the six months ended 30 June 2022	Approximate amount of net proceeds unutilised as at 30 June 2022	Expected timeline for utilisation of unutilised proceeds
	(HKD in million)	(HKD in million)	(HKD in million)	(HKD in million)	
Repayment of certain bank borrowings of the Group	406.0	—	—	—	Fully utilised
Funding potential business development involving a new overseas clinical project	465.0	448.8	5.2	443.6	To be applied in the second half of 2022 (HKD18.6 million), 2023 (HKD155.0 million) and 2024 (HKD270.0 million) subject to adjustments (if any)
General working capital of the Group	59.0	—	—	—	Fully utilised
Total	930.0	448.8	5.2	443.6	

Approximately HKD5.2 million of the net proceeds of the 2020 Placing had been utilised during the six months ended 30 June 2022 in accordance with the intended use of proceeds. There has been no change in the intended use of net proceeds. The unutilised net proceeds from the 2020 Placing would be brought forward to the next financial period/year and will be gradually utilised in accordance with the above intended purposes.

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

PROJECTS COOPERATION

In 2019, the Company together with ABG Innovation-Quantum Limited and Quantum Surgical SAS ("Quantum Surgical"), jointly established Dongguan LifeTech-Quantum Medical Technology Co., Ltd. ("LifeTech-Quantum") to focus on the R&D and commercialization of specified products (including Quantum Integrated Robotized Platform for Interventional Oncology and next generation versions, etc.) (the "Innovative Surgical Robot"). Lifetech-Quantum shall leverage on the technological advantages, online platforms and capital support of the parties thereof, so as to enhance the pace in obtaining permission to launch in the Chinese market and the commercialization arrangements of the innovative surgical robot, thus benefitting cancer patients in China. Quantum Surgical announced that the Innovative Surgical Robot obtained CE certification in September 2021 and 510(k) clearance by the US Food and Drug Administration in March 2022. At the same time, LifeTech-Quantum has completed the type testing in 2021, and submitted the registration application in China after the Innovative Surgical Robot obtained the certificate of origin, which is currently under approval.

In 2021, the Company and Medtronic, Inc. or its affiliates (“Medtronic”) entered into a series of amendments to the existing agreements, the Amendments to Agreements will benefit the long-term and steady development of the Company, also in line with the Company’s interest and the interests of the Company’s shareholders. Pursuant to the amendments, MRI-conditional pacemaker products and the MRI-conditional lead products are added to the scope of the products, which will strengthen the Company’s strategic cooperation with the Medtronic on pacemaker and future opportunities to expand such strategic collaboration. Currently, the MRI-conditional pacemakers and the MRI-conditional leads are in the process of type testing.

FUTURE PROSPECTS

In the first half of 2022, the ongoing sporadic cases of the COVID-19 pandemic affected the Group’s business to a certain extent. The Group has taken various effective measures to safeguard the health of our employees, as well as to ensure stable production and smooth sales channels. In the second half of 2022, the Group will continue to closely monitor the latest developments of the pandemic, and effectively strengthen the management of cost and operational funds, so as to ensure the sustainable development of the Company. Meanwhile, we will operate our existing businesses with prudent and pragmatic guidelines, actively develop new businesses, so as to diversify our business risk by expanding the sources of income.

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

OTHER INFORMATION

INTERIM DIVIDEND

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (corresponding period of 2021: nil).

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

During the six months ended 30 June 2022, there were no purchase, sales or redemptions of the Company’s listed securities by the Company or any of its subsidiaries.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders (the "Shareholders") and enhance its corporate value. The Company has applied the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules on the Stock Exchange as its own code of corporate governance and confirms that it has complied with all material code provisions of the CG Code during the six months ended 30 June 2022, save for the deviation from code provision A.2.1 of the CG Code as mentioned below.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiries with all the Directors, the Company confirmed that all members of the Board complied with the Model Code during the six months ended 30 June 2022.

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 2022.

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 2022 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 2022 interim report of the Company containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

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

Hong Kong, 30 August 2022

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.