

2023

INTERIM REPORT



LifeTech Scientific Corporation
先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302



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CORPORATE INFORMATION

As at 30 August 2023

EXECUTIVE DIRECTORS

XIE Yuehui

(Chairman and Chief Executive Officer)

LIU Jianxiong

*(Executive Vice President, Chief Financial Officer
and Company Secretary)*

NON-EXECUTIVE DIRECTOR

JIANG Feng

INDEPENDENT NON-EXECUTIVE DIRECTORS

LIANG Hsien Tse Joseph

WANG Wansong

ZHOU Luming

COMPANY SECRETARY

LIU Jianxiong

AUTHORISED REPRESENTATIVES

XIE Yuehui

LIU Jianxiong

AUDIT COMMITTEE

LIANG Hsien Tse Joseph *(Chairman)*

ZHOU Luming

WANG Wansong

NOMINATION COMMITTEE

ZHOU Luming *(Chairman)*

XIE Yuehui

LIANG Hsien Tse Joseph

REMUNERATION COMMITTEE

WANG Wansong *(Chairman)*

XIE Yuehui

LIANG Hsien Tse Joseph

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road, Hong Kong

WEBSITE

www.lifetechmed.com

STOCK CODE

1302

LISTING DATE ON THE GROWTH ENTERPRISE MARKET

10 November 2011

DATE OF TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD

6 November 2013

PRINCIPAL BANKERS

China Merchants Bank

Shenzhen Chegongmiao Branch

Block A, 1/F, Tianxiang Building

Tianan Chegongmiao Industrial District

Futian, Shenzhen, PRC

China Construction Bank, Shenzhen Nanxin Branch

1/F, China Construction Bank Building

No.1 Guankou Road, Nanshan District

Shenzhen, PRC

HONG KONG LEGAL ADVISER

Allen & Overy
9/F, Three Exchange Square
Central
Hong Kong SAR

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
35/F, One Pacific Place
88 Queensway, Hong Kong

REGISTERED OFFICE IN CAYMAN ISLANDS

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

**PRINCIPAL PLACE OF BUSINESS
AND ADDRESS OF HEADQUARTERS**

LifeTech Scientific Building
No.22, Keji 12th Road South
High-tech Industrial Park, Nanshan District
Shenzhen 518063, PRC

**PLACE OF BUSINESS IN HONG KONG
REGISTERED UNDER PART 16 OF
THE HONG KONG COMPANIES ORDINANCE**

31/F, 148 Electric Road
North Point
Hong Kong

**PRINCIPAL SHARE REGISTRAR
AND TRANSFER OFFICE**

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman, KY1-1102
Cayman Islands

FINANCIAL HIGHLIGHTS

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

Six months ended 30 June			
	2023	2022	Change
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	639,505	555,214	15.2%
Gross profit	504,805	441,575	14.3%
Operating profit	255,205	237,859	7.3%
Profit for the period	212,651	210,869	0.8%
Profit for the period attributable to owners of the Company	220,164	214,784	2.5%
Earnings per share			
– Basic	RMB4.9 cents	RMB5.0 cents	(2.0%)
– Diluted	RMB4.9 cents	RMB4.8 cents	2.1%

	30 June	31 December	Change
	2023	2022	
	RMB'000	RMB'000	
	(Unaudited)	(Audited)	
Assets			
Non-current assets	2,147,390	2,293,445	(6.4%)
Current assets	1,934,508	1,396,658	38.5%
Total assets	4,081,898	3,690,103	10.6%
Liabilities			
Current liabilities	634,826	584,735	8.6%
Non-current liabilities	190,645	184,311	3.4%
Total liabilities	825,471	769,046	7.3%
Total equity	3,256,427	2,921,057	11.5%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

FIRST-HALF PERFORMANCE

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

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

SALES AND MARKETING

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

RESEARCH AND DEVELOPMENT (“R&D”)

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

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

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

INTELLECTUAL PROPERTY RIGHTS

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

FINANCIAL REVIEW

OVERVIEW

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

REVENUE

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

Revenue from structural heart diseases business

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

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

Revenue from peripheral vascular diseases business

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

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

Revenue from cardiac pacing and electrophysiology business

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

GROSS PROFIT AND GROSS PROFIT MARGIN

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

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

OTHER INCOME, EXPENSES, GAINS AND LOSSES

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

SELLING AND DISTRIBUTION EXPENSES

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

ADMINISTRATION EXPENSES

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

RESEARCH AND DEVELOPMENT EXPENSES

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

OPERATING PROFIT

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

SHARE OF RESULTS OF ASSOCIATES

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

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

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

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

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

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

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

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

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

EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVTOCI”)

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

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

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

The investment is classified as equity instruments at FVTOCI in accordance with IFRS 9. Additional information in relation to the investment is set out in Note 14 to the condensed consolidated financial statements in this interim report. In the opinion of the Directors, the above investment is held for long-term strategic investment purposes and, as such, the above investment is classified as non-current asset.

FINANCE INCOME AND FINANCE COSTS

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

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

INCOME TAX

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

NET PROFIT

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

BORROWINGS

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

CASH AND CASH EQUIVALENT

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

GEARING RATIO

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

CAPITAL STRUCTURE

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

TREASURY POLICY

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

PROPERTY HELD FOR DEVELOPMENT

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

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

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

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

CONTINGENT LIABILITIES

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

FINANCIAL INSTRUMENT

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

CAPITAL EXPENDITURE

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

FOREIGN EXCHANGE EXPOSURE

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

CHARGES ON GROUP ASSETS

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

CAPITAL COMMITMENT

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

SEGMENT INFORMATION

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

Structural Heart Diseases Business

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

Peripheral Vascular Diseases Business

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

Cardiac Pacing and Electrophysiology Business

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

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

EMPLOYEES AND REMUNERATION POLICY

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

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

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

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

THE 2020 PLACING

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

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

Intended use of proceeds	Approximate allocation of net proceeds as previously disclosed (HKD in million)	Approximate amount of net proceeds unutilised as at 31 December 2022 (HKD in million)	Approximate utilisation of proceeds during the six months ended 30 June 2023 (HKD in million)	Approximate amount of net proceeds unutilised as at 30 June 2023 (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	438.6	4.7	433.9	To be applied in the second half of 2023 (HKD6.0 million), 2024 (HKD155.0 million) and 2025 (HKD272.9 million) subject to adjustments (if any)
General working capital of the Group	59.0	—	—	—	Fully utilised
Total	930.0	438.6	4.7	433.9	

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

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

PROJECTS COOPERATION

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

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

FUTURE PROSPECTS

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

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

CORPORATE GOVERNANCE HIGHLIGHTS

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") as its own code of corporate governance and confirms that it has complied with all code provisions of the CG Code during the six months ended 30 June 2023, save for the deviation from code provision A.2.1 of the CG Code as mentioned below.

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

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

THE BOARD

The Board currently comprises six Directors, including two executive Directors, namely Mr. XIE Yuehui, and Mr. LIU Jianxiong; one non-executive Director, namely Mr. JIANG Feng; and three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise, namely Mr. LIANG Hsien Tse Joseph, Mr. WANG Wansong and Mr. ZHOU Luming.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

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

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

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or (b) to be and were entered into the register required to be kept by the Company pursuant to Section 352 of the SFO, or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in shares and underlying shares of the Company

Name of Directors/ chief executives	Capacity	Number of share(s) of the Company ("Share(s)") (long position)	Approximate percentage of shareholding
Mr. XIE Yuehui	Interest of controlled corporation and beneficial owner	801,514,928 ¹	17.31%
Mr. LIU Jianxiong	Beneficial owner	24,940,000 ²	0.54%

Notes:

1. These interests represented:
 - (a) 781,914,928 Shares held by Xianjian Advanced Technology Limited, which are wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director; and
 - (b) 19,600,000 options granted to Mr. XIE Yuehui on 5 May 2015, which were subject to certain vesting conditions pursuant to the Share Option Scheme of the Company, details of which are set out in the section headed "Share Option Scheme" in this interim report.
2. These interests represented:
 - (a) 8,140,000 Shares held by Mr. LIU Jianxiong, our Executive Vice President, executive Director, Chief Financial Officer and company secretary; and
 - (b) 16,800,000 options granted to Mr. LIU Jianxiong on 5 May 2015, which were subject to certain vesting conditions pursuant to the Share Option Scheme of the Company, details of which are set out in the section headed "Share Option Scheme" in this interim report.

Save as disclosed above, as at 30 June 2023, so far as is known to any Directors or chief executives of the Company, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) to be entered in the register required to be kept by the Company pursuant to section 352 of the SFO, or (c) as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, other than the interests of Directors or chief executives of the Company as disclosed under the heading "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS" above, the interests and short positions of persons in the Shares and underlying Shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the issued Shares, were as follows:

Long positions in Shares of the Company

Name of Shareholders	Capacity	Number of Shares (long position)	Approximate percentage of shareholding
Xianjian Advanced Technology Limited (Note 1)	Beneficial owner	781,914,928	16.89%
HHLR Fund, L.P. (Note 2)	Beneficial owner	413,716,000	8.94%
HHLR Advisors, Ltd.	Investment manager	414,144,500	8.94%

Notes:

- The entire issued share capital of Xianjian Advanced Technology Limited is wholly owned by Mr. XIE Yuehui, our Chairman, Chief Executive Officer and executive Director.
- HHLR Fund, L.P. is a limited partnership formed under the laws of the Cayman Islands. HHLR Advisors, Ltd. serves as the investment manager of HHLR Fund, L.P. and is deemed to be interested in the shares held by HHLR Fund, L.P. and its other controlled corporations under the SFO.

Save as disclosed above, as at 30 June 2023, the Directors have not been notified by any person (other than the Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

The previous share option scheme adopted by the Company on 22 October 2011 which was amended by a unanimous written resolution of the Board on 5 May 2015 (the "Previous Scheme") was terminated pursuant to an ordinary resolution passed by the shareholders at the EGM on 17 September 2021. A new share option scheme (the "Share Option Scheme") in place of the Previous Scheme was adopted by the Company with effect from 17 September 2021 which has a term of 10 years.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to the Share Option Scheme Eligible Participants (as defined below) as incentives or rewards for their contribution to the growth of our Group and to provide our Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Share Option Scheme Eligible Participants.

2. Participants of the Share Option Scheme and the basis of determining the eligibility of the participants

The Board may at its discretion grant options to any full-time or part-time employees, Directors (including executive, non-executive or independent non-executive), any consultants or advisers (whether professional or otherwise), supplier, service provider, customer, business partner, shareholder, any person or entity that provides design, R&D or other technological support and any other group or classes of participants who have contributed or may contribute to the development and growth of our Company and/or any entity in which our Company holds an equity interest (collectively the "Share Option Scheme Eligible Participants").

3. Maximum number of shares

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Group is 462,929,240, being not more than 10% of the issued share capital of our Company as at 17 September 2021, adoption date of the Share Option Scheme. Any options lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of our Group shall not be counted for the purpose of calculating the Scheme Mandate Limit.

As at the date of this interim report, the maximum number of further share options that may be granted under the Share Option Scheme was 326,129,240, representing approximately 7.04% of the number of total issued shares of the Company. No further share options may be granted under the Previous Scheme.

4. Maximum entitlement of each participant

Unless approved by the shareholders in the manner set out in the Share Option Scheme, the total number of shares issued and to be issued upon exercise of the options granted to each Share Option Scheme Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company.

5. Offer period and amount payable for options

An offer of grant of an option shall remain open for acceptance by the Share Option Scheme Eligible Participant concerned for such period as determined by the Board, which period shall not be more than fourteen (14) days from the date of the offer, provided that no such offer shall be open for acceptance after the tenth anniversary of 17 September 2021 or after the Share Option Scheme has been terminated in accordance with the provisions thereof. Upon acceptance of the offer, the grantee shall pay HKD1.00 to our Company by way of consideration for the grant and the date on which the option is offered shall be deemed to be the date of grant of the relevant option, except in determining the date of grant for the purpose of calculating the subscription price.

6. Minimum period for which an option must be held before it can be exercised

There is no general requirement on the minimum period for which an option must be held or the performance targets which must be achieved before an option can be exercised under the terms of the Share Option Scheme. However, the Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such options can be exercised as the Board may determine in its absolute discretion.

7. Basis of determining the subscription price

The subscription price for shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board shall determine, provided that such price shall be at least the highest of:

- (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option;
- (ii) the average closing price per share as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the date of offer of the option; and
- (iii) the nominal value of a share.

8. Remaining Life of the Share Option Scheme

Subject to the fulfilment of the conditions of the Share Option Scheme and the earlier termination by shareholders' resolution in general meeting or the Board, the Share Option Scheme shall be valid and effective for a period of ten (10) years commencing from 17 September 2021, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

The table below sets out details of the outstanding options granted to the Directors and other grantees under the Previous Scheme and movements during the period from 1 January 2023 to 30 June 2023:

Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 1 January 2023	Number of shares			Outstanding as at 30 June 2023
							Exercised during the six months ended 30 June 2023	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/Lapsed during the six months ended 30 June 2023	
Directors/Chief Executives										
Mr. XIE Yuehui	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HKD1.464	19,600,000	19,600,000	–	–	–	19,600,000
Sub-total					19,600,000	19,600,000	–	–	–	19,600,000
Mr. LIU Jianxiong	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HKD1.464	16,800,000	16,800,000	–	–	–	16,800,000
Sub-total					16,800,000	16,800,000	–	–	–	16,800,000
Other Grantees										
Employees	5 May 2015	20% of options on 5 May 2016, 2017, 2018, 2019 and 2020 respectively	10 years from the date of grant	HKD1.464	123,600,000	33,789,600 (Note 1)	(2,000)	HKD3.119	–	33,787,600 (Note 2)
Employees	31 March 2021	30%, 30%, 40% of options on 31 March 2022, 2023 and 2024 respectively	10 years from the date of grant	HKD3.570	33,320,000	29,350,000 (Note 3)	–	–	(760,000)	28,590,000 (Note 4)
Sub-total					156,920,000	63,139,600	(2,000)	–	(760,000)	62,377,600
Total					193,320,000	99,539,600	(2,000)	–	(760,000)	98,777,600

Note 1: The 33,789,600 outstanding share options as at 1 January 2023 were held by 20 grantees who were employees of the Group.

Note 2: The 33,787,600 outstanding share options as at 30 June 2023 were held by 20 grantees who were employees of the Group.

Note 3: The 29,350,000 outstanding share options as at 1 January 2023 were held by 108 grantees who were employees of the Group.

Note 4: The 28,590,000 outstanding share options as at 30 June 2023 were held by 104 grantees who were employees of the Group.

As at 30 June 2023, 98,777,600 options were granted and remain outstanding pursuant to the Previous Scheme.

OTHER INFORMATION

The table below sets out details of the outstanding options granted to the Directors and other grantees under the Share Option Scheme and movements during the period of 1 January 2023 to 30 June 2023:

Name	Date of grant	Vesting schedule	Option period	Exercise price	Number of shares						
					Granted on the date of grant	Outstanding as at 1 January 2023	Exercised during the six months ended 30 June 2023	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/ Lapsed during the six months ended 30 June 2023	Outstanding as at 30 June 2023	
Other Grantees											
Employees	12 November 2021	10%, 15%, 20%, 25% and 30% upon completion of the Group's annual performance assessment of 2022, 2023, 2024, 2025 and 2026, respectively	10 years from the date of grant	HKD3.590	101,800,000	95,850,000	—	—	(1,550,000)	94,300,000	(Note 1)
Employees	10 December 2021	10%, 15%, 20%, 25% and 30% upon completion of the Group's annual performance assessment of 2022, 2023, 2024, 2025 and 2026, respectively	10 years from the date of grant	HKD3.836	11,000,000	10,590,000	—	—	(140,000)	10,450,000	(Note 2)
Consultants	10 December 2021	10%, 15%, 20%, 25% and 30% upon completion of the Group's annual performance assessment of 2022, 2023, 2024, 2025 and 2026, respectively	10 years from the date of grant	HKD3.836	24,000,000	24,000,000	—	—	—	24,000,000	(Note 3)
Total					136,800,000	130,440,000	—	—	(1,690,000)	128,750,000	

Note 1: The 94,300,000 outstanding share options as at 30 June 2023 were held by 150 grantees who are employees of the Group.

Note 2: The 10,450,000 outstanding share options as at 30 June 2023 were held by 22 grantees who are employees of the Group.

Note 3: The 24,000,000 outstanding share options as at 30 June 2023 were held by 5 grantees who are consultants of the Group.

No share options were granted under the Share Option Scheme during the six months ended 30 June 2023. As at 30 June 2023, 128,750,000 options have been granted and remained outstanding pursuant to the Share Option Scheme.

As at 30 June 2023, there was no participant with share options granted in excess of the 1% individual limit as defined under Chapter 17 of the Listing Rules.

Value of share options

The Binomial Model had been used to estimate the fair value of the share 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.

Value of share options granted on 31 March 2021

The fair value of the share options granted on 31 March 2021 was HKD53.0 million, and the specific parameters were selected by an independent qualified professional valuer as follows:

- a. Stock price: HKD3.570 per share (being the closing price of HKD3.570 per share as of the grant date)
- b. Exercise price: HKD3.570 per share (being the highest price of (i) the closing price of HKD3.570 per share as stated in the daily quotation sheets issued by the Stock Exchange on the grant date; (ii) the average closing price of HKD3.404 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the grant date; and (iii) the nominal value of a share)
- c. Expected volatility: 51.35% (based on the historical share price volatility of comparable companies in the relevant period)
- d. Risk-free interest rate: 1.33% (based on the yields of HKD Hong Kong Sovereign Curve with respective tenors as at the grant date)

Value of share options granted on 12 November 2021

The fair value of the share options granted on 12 November 2021 was HKD188.4 million, and the specific parameters were selected by an independent qualified professional valuer as follows:

- a. Stock price: HKD3.590 per share (being the closing price of HKD3.590 per share as of the grant date)
- b. Exercise price: HKD3.590 per share (being the highest price of (i) the closing price of HKD3.590 per share as stated in the daily quotation sheets issued by the Stock Exchange on the grant date; (ii) the average closing price of HKD3.546 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the grant date; and (iii) the nominal value of a share)
- c. Expected volatility: 51.53 % (based on the historical share price volatility of comparable companies in the relevant period)
- d. Risk-free interest rate: 1.39% (based on the yields of HKD Hong Kong Sovereign Curve with relevant tenors as at the grant date)

Value of share options granted on 10 December 2021

The fair value of the share options granted on 10 December 2021 was HKD67.9 million, and the specific parameters were selected by an independent qualified professional valuer as follows:

- a. Stock price: HKD3.800 per share (being the closing price of HKD3.800 per share as of the grant date)
- b. Exercise price: HKD3.836 per share (being the highest price of (i) the closing price of HKD3.800 per share as stated in the daily quotation sheets issued by the Stock Exchange on the grant date; (ii) the average closing price of HKD3.836 per share as stated in the daily quotation sheets issued by the Stock Exchange for the five (5) business days immediately preceding the grant date; and (iii) the nominal value of a share)
- c. Expected volatility: 51.54% (based on the historical share price volatility of comparable companies in the relevant period)
- d. Risk-free interest rate: 1.37% (based on the yields of HKD Hong Kong Sovereign Curve with relevant tenors as at the grant date)

SHARE AWARD SCHEME

The Company adopted the 2019 Share Award Scheme (the “2019 Share Award Scheme”) on 28 December 2018 which was subsequently amended by a unanimous written resolution of the Board on 29 April 2019. On 3 March 2022, the Company also adopted another share award scheme (the “2022 Share Award Scheme”). Neither the 2019 Share Award Scheme nor the 2022 Share Award Scheme constitutes a share option scheme under the then effective Chapter 17 of the Listing Rules and thus no shareholders’ approval was required for the adoption of these share award schemes.

2019 Share Award Scheme

1. Objective of the 2019 Share Award Scheme

The objectives of the 2019 Share Award Scheme are (i) to 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.

2. Participants of the 2019 Share Award Scheme and the basis of determining the eligibility of the participants

The Board may at its discretion grant shares of the Company pursuant to the 2019 Share Award Scheme (“2019 Scheme Award Shares”) to any employee and non-executive director of the Company or any member of the Group who in the sole opinion of the Board will contribute or have contributed to any member of the Group (collectively the “2019 Scheme Selected Participants”).

3. Maximum number of the 2019 Scheme Award Shares

Pursuant to the rules of the 2019 Share Award Scheme, the Board shall not make any further grant of Scheme 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 "2019 SAS Adoption Date"). The maximum number of 2019 Scheme Award Shares that may be granted under the 2019 Share Award Scheme is 433,629,120 shares.

As at 30 June 2023, an aggregate of 312,620,000 2019 Scheme Award Shares had been granted to certain Selected Participants subject to the terms of the 2019 Share Award Scheme and certain other terms and conditions.

4. Amount payable for the 2019 Scheme Award Shares

An offer of grant of Scheme Award Shares shall remain open for acceptance by the 2019 Scheme Selected Participants concerned for such period as determined by the Board, which period shall not be more than ten (10) business days from the date of the offer. In order to subscribe for the Award Shares, the grantee shall submit relevant notice(s) and make the payment of any amount as specified by the Board to the Company, thereafter the Company will instruct the trustee under the scheme in writing to allot the corresponding Award Shares to the relevant grantee after the receipt of aforesaid notice(s) and the subscription monies.

5. Conditions

The Board may specify any conditions or performance targets that must be attained by the relevant Selected Participant before any Scheme Award Shares may be transferred to and vested in the Selected Participant.

6. Remaining Life of the 2019 Share Award Scheme

The 2019 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on the 2019 SAS Adoption Date after which no further Scheme Award Share may be offered.

The table below sets out the movements of Scheme Award Shares during the period from 1 January 2023 to 30 June 2023:

Name	Date of grant	Vesting date	Issue price	Granted on the date of grant	Outstanding as at 1 January 2023	Exercised during the six months ended 30 June 2023	Lapsed during the six months ended 30 June 2023	Outstanding as at 30 June 2023
Employees of the Group (6 employees) (Note ii)	29 September 2020	29 September 2020	HKD1.35 (Note i)	312,620,000	230,945,000	—	—	230,945,000
Total				312,620,000	230,945,000	—	—	230,945,000

Notes: (i) The issue price of HKD1.35 per share in respect of the 312,620,000 Award Shares granted was determined based on (i) the cost of purchasing an aggregate of 300,000,000 ordinary shares from Synergy Summit Limited; and (ii) the cost of purchasing the 12,620,000 shares of the Company on the Stock Exchange during the year ended 31 December 2019.

(ii) Pursuant to the conditions accepted by these employees, such employees shall pay for such shares and complete the taking up of such shares by not more than 10 years.

2022 Share Award Scheme

1. Objective of the 2022 Share Award Scheme

The objectives of the 2022 Share Award Scheme are (i) to 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.

2. Participants of the 2022 Share Award Scheme and the basis of determining the eligibility of the participants

The Board may at its discretion grant shares of the Company pursuant to the 2022 Share Award Scheme ("2022 Scheme Award Shares") to (i) any employee and non-executive Director of the Company and/or any member of the Group and any related entity who, in the sole opinion of the Board, will contribute or have contributed to any member of the Group; and (ii) agents, consultants, suppliers or any other persons who provide services to any member of the Group and, in the sole opinion of the Board, will contribute or have contributed to any member of the Group (collectively the "2022 Scheme Selected Participants").

3. Maximum number of the 2022 Scheme Award Shares

Pursuant to the rules of the 2022 Share Award Scheme, the Board shall not make any further grant of 2022 Scheme Award Shares such that the total number of shares granted under the 2022 Share Award Scheme will exceed 10% of the total number of issued shares as at 3 March 2022 (the "2022 SAS Adoption Date"). The maximum number of 2022 Scheme Award Shares that may be granted under the Share Award Scheme is 463,003,040 shares.

4. Amount payable for the 2022 Scheme Award Shares

An offer of grant of 2022 Scheme Award Shares shall remain open for acceptance by the 2022 Scheme Selected Participants concerned for such period as determined by the Board, which period shall not be more than ten (10) business days from the date of the offer. In order to subscribe for the 2022 Scheme Award Shares, the grantee shall submit relevant notice(s) and make the payment of any amount as specified by the Board to the Company, thereafter the Company will instruct the trustee under the scheme in writing to allot the corresponding Award Shares to the relevant grantee after the receipt of aforesaid notice(s) and the subscription monies.

5. Conditions

The Board may specify any conditions or performance targets that must be attained by the relevant 2022 Scheme Selected Participant before any 2022 Scheme Award Shares may be transferred to and vested in the 2022 Scheme Selected Participant.

6. Remaining Life of the 2022 Share Award Scheme

The 2022 Share Award Scheme shall be valid and effective for a term of ten (10) years commencing on 3 March 2022 after which no further 2022 Scheme Award Share may be offered.

The table below sets out the movements of Scheme Award Shares during the period from 1 January 2023 to 30 June 2023:

Name	Date of grant	Vesting date	Issue price	Granted on the date of grant	Outstanding as at 1 January 2023	Vested during the six months ended 30 June 2023	Lapsed during the six months ended 30 June 2023	Outstanding as at 30 June 2023
Employees of the Group (Note)								
	21 October 2022	5%, 10%, 15%, 20%, 25% and 25% upon completion of the Group's annual performance assessment of 2022, 2023, 2024, 2025, 2026 and 2027, respectively	—	20,750,000	20,750,000	(910,000)	—	19,840,000
Total				20,750,000	20,750,000	(910,000)	—	19,840,000

Note: An aggregate of 20,750,000 2022 Scheme Award Shares were granted to 52 employees of the Group (who are neither a director, chief executive officer or substantial shareholder of the Company nor their respective associates) on 21 October 2022. During the six months ended 30 June 2023, 910,000 2022 Scheme Award Shares were vested on 5 May 2023 and the weighted average close price of the Shares on the Stock Exchange immediately before the vesting date was HKD 2.68 per share.

The vesting of such shares is subject to the fulfilment of the conditions set out in the grant letter (including performance targets stipulated thereunder). The average purchase price of such 2022 Scheme Award Shares was HKD2.90 per share and the closing price of the Shares on the Stock Exchange immediately before the grant was HKD2.75 per share.

No share awards were granted under the 2022 Share Award Scheme during the six months ended 30 June 2023.



OTHER INFORMATION

As at 30 June 2023, the ratio of the number of shares that may be issued in respect of options and awards granted under all share schemes adopted by the Company (i.e. 86,789,600) to the weighted average number of issued shares as at 30 June 2023 (i.e. 4,630,031,262) was approximately 1.87%.

During the six months ended 30 June 2023, save as disclosed above, (i) there was no participant with share options or awards granted or to be granted by the Company in excess of the 1% individual limit (as defined under Chapter 17 of the Listing Rules); (ii) there was no service provider with share options or awards granted or to be granted by the Company exceeding 0.1% of the total issued shares of the Company in any 12-month period; and (iii) the Company have not granted any share options or awards to any related entity participants or service providers.

INTERIM DIVIDEND

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

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from the details as disclosed under the heading "DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS" above, at no time during the six months ended 30 June 2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company and any of its subsidiaries a party to any arrangement to enable the Directors, or their respective spouse or children under 18 years of age, to acquire such rights in any other body corporate.

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

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

SUFFICIENCY OF THE PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Directors confirm that the Company had maintained a sufficient public float as required under the Listing Rules throughout the six months ended 30 June 2023.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2023 containing all the relevant information required by the Listing Rules has been published on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://www.lifetechmed.com>).

On behalf of the Board

XIE Yuehui

Executive Director, Chairman and Chief Executive Officer

Hong Kong, 30 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2023 together with the comparative figures for the corresponding period of 2022 and the relevant explanatory notes as set out below.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTES	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	741,553	727,863
Right-of-use assets	11	56,650	55,528
Investment properties		274,256	246,913
Intangible assets	10	491,411	442,406
Interests in associates	12	45,031	42,691
Financial assets at FVTPL	13	125,178	127,417
Equity instruments at FVTOCI	14	165,584	335,387
Deposits for acquisition of property, plant and equipment		37,242	32,642
Deferred tax assets		70,485	62,598
Fixed bank deposits		140,000	220,000
		2,147,390	2,293,445
Current assets			
Inventories		339,546	241,406
Trade receivables	15	156,490	137,090
Other receivables and prepayments	16	453,329	184,370
Financial assets at FVTPL	13	80,000	—
Fixed bank deposits		130,000	—
Cash and cash equivalents		775,143	833,792
		1,934,508	1,396,658
Current liabilities			
Trade and other payables	17	561,272	531,846
Contract liabilities		2,870	10,028
Tax payables		59,992	37,824
Lease liabilities		10,692	5,037
		634,826	584,735
Net current assets		1,299,682	811,923
Total assets less current liabilities		3,447,072	3,105,368

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

	NOTES	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Non-current liabilities			
Government grants	18	44,484	37,174
Lease liabilities		3,661	4,637
Financial liabilities at FVTPL	19	142,500	142,500
		190,645	184,311
Net assets			
		3,256,427	2,921,057
Capital and reserves			
Share capital	20	37	37
Reserves		3,243,291	2,900,408
Equity attributable to owners of the Company		3,243,328	2,900,445
Non-controlling interests		13,099	20,612
Total equity		3,256,427	2,921,057

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Investment valuation reserve RMB'000	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Share option reserve RMB'000	Reserve for share award schemes RMB'000	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
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 subsidiaries	—	—	—	—	—	—	—	—	—	—	—	—	(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
At 1 January 2023 (audited)	37	1,628,079	1,629	3,679	50,207	191,440	(3)	32,531	148,273	(544,428)	1,389,001	2,900,445	20,612	2,921,057
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	—	220,164	220,164	(7,513)	212,651
Other comprehensive expense for the period	—	—	—	(2,325)	—	(169,803)	—	—	—	—	—	(172,128)	—	(172,128)
Total comprehensive income (expense) for the period	—	—	—	(2,325)	—	(169,803)	—	—	—	—	220,164	48,036	(7,513)	40,523
Increase of interest in an associate	—	—	4,793	—	—	—	—	—	—	—	—	4,793	—	4,793
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	—	34,167	—	—	34,167	—	34,167
Exercise of share options	—	5	—	—	—	—	—	—	(2)	—	—	3	—	3
Exercise of scheme awarded shares	—	(811)	—	—	—	—	—	—	(2,334)	3,145	—	—	—	—
Purchase of ordinary shares	—	—	—	—	—	—	—	—	—	(6,016)	—	(6,016)	—	(6,016)
Transfer of purchased ordinary shares	—	—	—	—	—	—	—	—	—	261,900	—	261,900	—	261,900
At 30 June 2023 (unaudited)	37	1,627,273	6,422	1,354	50,207	21,637	(3)	32,531	180,104	(285,399)	1,609,165	3,243,328	13,099	3,256,427

Notes:

- (i) Statutory surplus reserve is non-distributable and the transfer to this reserve is determined according to the relevant laws in the 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	252,617	280,799
Income taxes paid	(29,489)	(36,640)
NET CASH FROM OPERATING ACTIVITIES	223,128	244,159
INVESTING ACTIVITIES		
Deposits paid for and purchase of property, plant and equipment	(99,558)	(117,926)
Payments for intangible assets	(4,688)	(1,800)
Expenditure incurred and capitalised as intangible assets	(50,291)	(46,039)
Government grants received for acquisition of plant and equipment	11,720	12,650
Interest received from bank deposits	3,984	4,331
Placement of bank structured deposits	—	(384,000)
Release of bank structured deposits	—	413,000
Purchase of financial assets at FVTPL	(80,000)	—
Placement of fixed bank deposits	(90,000)	(161,739)
Release of fixed bank deposits	40,000	—
NET CASH USED IN INVESTING ACTIVITIES	(268,833)	(281,523)
FINANCING ACTIVITIES		
Purchase of shares under share award schemes	(6,016)	(154,968)
Proceeds from issue of Shares upon exercise of share options	3	—
Repayments of lease liabilities	(4,291)	(6,796)
Repayments of Interest on lease liabilities	(315)	(417)
Changes in non-controlling interests of subsidiaries	—	(3,000)
NET CASH USED IN FINANCING ACTIVITIES	(10,619)	(165,181)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(56,324)	(202,545)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	833,792	1,119,264
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2,325)	212
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	775,143	916,931

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 17 August 2006 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Mr. Xie Yuehui, is the Chairman and Chief Executive Officer of the Company. The address of the registered office is PO Box 309, 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 Renminbi, which is the functional currency of the Company and the Group's major operating subsidiaries.

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

4. SEGMENT INFORMATION

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. SEGMENT INFORMATION - continued

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

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

Information regarding the above segments is reported below.

(a) Segment revenue and results

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

For the six months ended 30 June 2023

	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. SEGMENT INFORMATION - continued

(a) Segment revenue and results - continued

For the six months ended 30 June 2022

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. SEGMENT INFORMATION - *continued*

(b) Segment assets and liabilities - *continued*

Segment liabilities

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. OTHER INCOME, EXPENSES, GAINS AND LOSSES

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (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	151,638	127,747
Share-based payment expenses	33,138	29,726
Retirement benefits scheme contributions	15,772	11,694
Less: capitalised in development costs, construction in progress and inventories	(18,127)	(17,803)
	182,781	151,724
Cost of inventories recognised as expenses	134,700	113,639
Depreciation of property, plant and equipment	21,453	16,245
Depreciation of right-of-use assets	5,980	7,843
Depreciation of investment properties	4,085	3,195
Amortisation of intangible assets	7,003	6,161
Gross rental income from investment properties	(21,836)	(17,061)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	4,085	3,195
	(17,751)	(13,866)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7. INCOME TAX EXPENSE

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

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

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

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

8. DIVIDENDS

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	220,164	214,784

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

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

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

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2023, the Group spent approximately RMB35,741,000 (corresponding period of 2022: approximately RMB4,409,000) for the acquisition of equipment and improvement of plant to enhance its manufacturing capabilities. In addition, the Group also incurred approximately RMB22,559,000 (corresponding period of 2022: approximately RMB53,840,000) for construction cost of the industrial park.

During the six months ended 30 June 2023, the Group incurred approximately RMB51,320,000 (corresponding period of 2022: approximately RMB47,588,000) of R&D expenditure for new products, and incurred approximately RMB4,688,000 (corresponding period of 2022: approximately RMB1,800,000) for the purchase of other intangible assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

11. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2023			
Carrying amount (audited)	45,512	10,016	55,528
For the six months ended 30 June 2023			
Additions	—	9,062	9,062
Depreciation charge	(647)	(5,333)	(5,980)
As at 30 June 2023			
Carrying amount (unaudited)	42,905	13,745	56,650

During the six months ended 30 June 2023, the Group leases various offices, warehouses and staff dormitories. Lease contracts are entered into for fixed term of 6 months 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.

During the six months ended 30 June 2023, the short-term lease expenses were amounted to approximately RMB3,004,000.

In addition, lease liabilities of approximately RMB14,353,000 (31 December 2022: approximately RMB9,674,000) are recognised with related right-of-use assets of approximately RMB13,745,000 (31 December 2022: approximately RMB10,016,000) as at 30 June 2023. The lease agreements do not impose any covenants other than the security interests in the leased properties that are held by the lessor and the relevant leased properties may not be used as security for borrowing purposes. As at 30 June 2023, the Group has no lease commitments as lessee.

12. INTERESTS IN ASSOCIATES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Cost of investment in associates	52,943	48,150
Share of post-acquisition losses and other comprehensive expenses	(7,912)	(5,459)
	45,031	42,691

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. INTERESTS IN ASSOCIATES - continued

The following set out the particulars of the associates of the Group as at 30 June 2023 and 31 December 2022, 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 2023	31 December 2022	
深圳市先健創興天使投資合夥企業(有限合夥) (Note i)	The PRC	The PRC	50.00%	50.00%	Investing
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 ii)	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 iii)	The PRC	The PRC	13.51%	13.51%	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 iii)	The PRC	The PRC	40.00%	40.00%	Consulting and technology services

Notes:

- i The Group is able to exercise significant influence over the partnership enterprise because the Group is entitled to appoint three of the seven members under its Investment Committee.
- ii 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.
- iii 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

13. FINANCIAL ASSETS AT FVTPL

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

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, 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, 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 with a financial institution, which was accounted for as financial assets at FVTPL on initial recognition, for a consideration of RMB10,000,000 in cash.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

14. EQUITY INSTRUMENTS AT FVTOCI

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

Note:

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 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.

15. TRADE RECEIVABLES

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

16. OTHER RECEIVABLES AND PREPAYMENTS

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

Notes:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

17. TRADE PAYABLES

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

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

18. GOVERNMENT GRANTS

Six months ended 30 June

	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Government grant related to assets:		
At the beginning of the period	40,315	36,285
Additions	11,720	12,650
Released to profit or loss	(4,091)	(3,115)
At the end of the period	47,944	45,820

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Classified as:		
Current liabilities (included in other payables)	3,460	3,141
Non-current liabilities	44,484	37,174
	47,944	40,315

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

18. GOVERNMENT GRANTS - *continued*

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 2023, the Group recognised income of approximately RMB8,971,000 (corresponding period of 2022: approximately RMB7,050,000) of which approximately RMB4,880,000 (corresponding period of 2022: approximately RMB3,935,000) was received and directly recognised in profit or loss.

19. FINANCIAL LIABILITIES AT FVTPL

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

20. SHARE CAPITAL

	Number of Shares	Amount USD	
Ordinary Shares			
Authorised:			
At 1 January 2022, 31 December 2022 and 30 June 2023 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	
Issued and fully paid:			
At 1 January 2022 and 31 December 2022	4,630,030,400	5,789	37
Exercise of share options	2,000	—	— *
At 30 June 2023	4,630,032,400	5,789	37

* Less than RMB1,000.

21. SHARE-BASED PAYMENT TRANSACTIONS

(a) Previous Scheme

The Previous Scheme was adopted by the Company on 22 October 2011 and was amended by unanimous written resolutions of the Board on 5 May 2015 for the primary purpose of providing incentives to eligible participants.

On 5 May 2015, an aggregate of 160,000,000 options were 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 2023, 70,187,600 of such options remained outstanding and exercisable.

On 31 March 2021, an aggregate of 33,320,000 options were 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 2023, 16,602,000 of such options remained outstanding and exercisable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. 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 2023:

Types	Number of Shares subject to share options				Outstanding at 30 June 2023
	Outstanding at 1 January 2023	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	—	(400)	—	11,815,600
Batch II	12,653,200	—	(1,600)	—	12,651,600
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>(2,000)</u>	<u>—</u>	<u>70,187,600</u>
Share options granted on 31 March 2021:					
Employees					
Batch I	8,826,000	—	—	(240,000)	8,586,000
Batch II	8,796,000	—	—	(240,000)	8,556,000
Batch III	11,728,000	—	—	(280,000)	11,448,000
Sub-total	<u>29,350,000</u>	<u>—</u>	<u>—</u>	<u>(760,000)</u>	<u>28,590,000</u>
Total	<u>99,539,600</u>	<u>—</u>	<u>(2,000)</u>	<u>(760,000)</u>	<u>98,777,600</u>
Exercisable as at 30 June 2023					<u>86,789,600</u>
Weighted average exercise price					<u>HKD2.074</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. 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 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	70,189,600	—	—	—	70,189,600
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	30,920,000	—	—	(820,000)	30,100,000
Total	101,109,600	—	—	(820,000)	100,289,600
Exercisable as at 30 June 2022					79,219,600
Weighted average exercise price					HKD2.096

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. 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

The Share Option 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 were 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 were 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. 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 2023:

Types	Number of Shares subject to share options				Outstanding at 30 June 2023
	Outstanding at 1 January 2023	Granted during the period	Exercised during the period	Lapsed during the period	
Share options granted on 12 November 2021:					
Employees					
Batch I	9,585,000	—	—	(155,000)	9,430,000
Batch II	14,377,500	—	—	(232,500)	14,145,000
Batch III	19,170,000	—	—	(310,000)	18,860,000
Batch IV	23,962,500	—	—	(387,500)	23,575,000
Batch V	28,755,000	—	—	(465,000)	28,290,000
Sub-total	95,850,000	—	—	(1,550,000)	94,300,000
Share options granted on 10 December 2021:					
Employees					
Batch I	1,059,000	—	—	(14,000)	1,045,000
Batch II	1,588,500	—	—	(21,000)	1,567,500
Batch III	2,118,000	—	—	(28,000)	2,090,000
Batch IV	2,647,500	—	—	(35,000)	2,612,500
Batch V	3,177,000	—	—	(42,000)	3,135,000
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	34,590,000	—	—	(140,000)	34,450,000
Total	130,440,000	—	—	(1,690,000)	128,750,000
Exercisable as at 30 June 2023					—
Weighted average exercise price					HKD3.656

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. 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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. 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)
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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(c) 2019 Share Award Scheme

The Company adopted the 2019 Share Award Scheme on 28 December 2018, which was subsequently amended by a unanimous written resolution of the Board on 29 April 2019. 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 Scheme 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 Scheme 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 the 2019 Share Award Scheme, of which 81,675,000 shares have been transferred. 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 Scheme Award Shares may be offered.

The following table discloses movements during the six months ended 30 June 2023:

	Outstanding at 1 January 2023	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2023
Granted on 29 September 2020:	230,945,000	—	—	—	230,945,000
Total	230,945,000	—	—	—	230,945,000
Exercisable as at 30 June 2023					230,945,000
Exercise price					HKD1.35

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. SHARE-BASED PAYMENT TRANSACTIONS - continued

(c) 2019 Share Award Scheme - continued

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

(d) 2022 Share Award Scheme

The Company adopted the 2022 Share Award Scheme on 2 March 2022. The purpose of the 2022 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 2022 Share Award Scheme, the Board shall not make any further grant of Award Shares such that the total number of shares granted under the 2022 Share Award Scheme will exceed 10% of the total number of issued shares as at 3 March 2022. The maximum number of Scheme Award shares that may be granted under the 2022 Share Award Scheme is 463,003,040 shares.

Based on a unanimous written resolution of the Board of Directors of the Company dated 21 October 2022, pursuant to the grant notices and vesting notices to eligible participants dated the same date, a total of 20,750,000 shares of the Company have been granted by the Company to certain senior management/employees at no price and the vesting period under the Restricted Share Award Scheme ranges from six months to six years.

The 2022 Share Award Scheme shall be valid and effective for a term of 10 years commencing on 3 March 2022 after which no further Scheme Award Shares may be offered.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

21. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(d) 2022 Share Award Scheme - *continued*

The following table discloses movements during the six months ended 30 June 2023:

	Granted on the date of grant	Outstanding at 1 January 2023	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2023
Granted on 21 October 2022:						
Batch I	1,037,500	1,037,500	—	(910,000)	—	127,500
Batch II	2,075,000	2,075,000	—	—	—	2,075,000
Batch III	3,112,500	3,112,500	—	—	—	3,112,500
Batch IV	4,150,000	4,150,000	—	—	—	4,150,000
Batch V	5,187,500	5,187,500	—	—	—	5,187,500
Batch VI	5,187,500	5,187,500	—	—	—	5,187,500
Total	20,750,000	20,750,000	—	(910,000)	—	19,840,000
Exercisable as at 30 June 2023						—
Exercise price						—

For the six months ended 30 June 2023, the Group recognised approximately RMB33,138,000 (corresponding period of 2022: approximately RMB29,726,000) share-based payment expenses in profit or loss. In addition, approximately RMB1,029,000 (corresponding period of 2022: approximately RMB1,549,000) was capitalised in development expenditure.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

22. OPERATING LEASES

The Group as lessor

All of the investment properties held by the Group for rental purpose have committed leases for the next 1 to 10 years.

Undiscounted lease payments receivable on leases are as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within one year	44,428	43,139
In the second year	34,549	35,184
In the third year	26,408	27,314
In the fourth year	24,388	23,301
In the fifth year	17,640	18,881
Over five years	26,673	41,916
	174,086	189,735

23. CAPITAL COMMITMENTS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 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	89,779	89,775

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

24. RELATED PARTY DISCLOSURES

(a) Significant related party transaction

The Group entered into the following transactions with the related party during the six months ended 30 June 2023.

		Six months ended 30 June	
Relationships	Nature of transactions	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Associate	Consulting services	3,750	2,903
	Equipment leasing	790	790
		4,540	3,693

(b) Compensation of key management personnel

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

		Six months ended 30 June	
Nature of transactions		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits		9,316	7,551
Post-employment benefits		118	109
		9,434	7,660

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