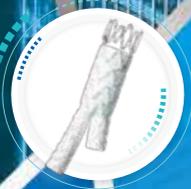




LifeTech Scientific Corporation 先健科技公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 01302



2021

INTERIM REPORT

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CORPORATE INFORMATION

As at 30 August 2021

EXECUTIVE DIRECTORS

XIE Yuehui

(Chairman and Chief Executive Officer)

LIU Jianxiong

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

NON-EXECUTIVE DIRECTORS

JIANG Feng

FU Feng (resigned on 19 April 2021)

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

Level 54, Hopewell Centre

183 Queen's Road East, 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

CORPORATE INFORMATION

As at 30 August 2021

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 2021 (the “Reporting Period”) together with the comparative figures for the corresponding period of 2020.

	Six months ended 30 June		
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)	Change
Revenue	461,141	272,950	68.9%
Gross profit	374,352	217,061	72.5%
Operating profit	227,633	119,757	90.1%
Profit for the period	200,651	96,181	108.6%
Profit for the period attributable to owners of the Company	204,407	98,950	106.6%
Earnings per share			
– Basic	RMB4.7 cents	RMB2.3 cents	104.3%
– Diluted	RMB4.5 cents	RMB2.3 cents	95.7%

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

FIRST-HALF PERFORMANCE

In the first half of 2021, the Group is proud to announce that it has received various awards, such as the invention patent with “LAA occluder” won a gold award of Chinese Patent awarded by China National Intellectual Property Administration, which is the first gold medal for invention patent in the field of cardiovascular minimally invasive interventional medical device; LAmbré™ LAA Closure System won the silver award of “Good Design” awarded by Innovation Design Industry Strategic Alliance of China and other institutions for its outstanding product design and clinical performance; the “congenital heart disease surgical treatment strategy and key technology innovation and promotion” project jointly completed with certain well-known hospitals, won the second prize of the Chinese Medical Science and Technology Award issued by Chinese Medical Association; Lifetech Scientific (Shenzhen) Co., Ltd. (“Lifetech Shenzhen”), a wholly-owned subsidiary of the Company, earned the honorary title of “Little Giant” Enterprise with professionalism, refinement, specialization and innovation, awarded by Small and Medium Enterprise Administration of the Ministry of Industry and Information Technology of the People’s Republic of China, and was listed among the Top 100 Shenzhen Enterprise Innovation Capability List in 2020. These awards recognize the Group’s past efforts and contributions, as well as consolidate the Group’s core values and promote the development in strategy.

During the six months ended 30 June 2021, the Group achieved a revenue of approximately RMB461.1 million with an increase of approximately RMB188.1 million or approximately 68.9% as compared with the revenue of approximately RMB273.0 million for the six months ended 30 June 2020. Mainland China remained our largest market, as the sales generated from the market of mainland China accounted for approximately 84.0% of our total revenue for the six months ended 30 June 2021 (corresponding period of 2020: approximately 81.3%). Meanwhile, Europe and Asia (excluding mainland China) were our two largest overseas markets, accounted for approximately 7.3% and 5.2%, respectively, of our total revenue for the six months ended 30 June 2021 (corresponding period of 2020: approximately 10.9% and 4.7%, respectively). Domestic sales of the Group increased by approximately 74.6% as compared with the corresponding period of 2020, which was mainly attributable to the COVID-19 epidemic situation having been contained in mainland China and economic activities resumed after the adoption of stringent epidemic control measures. Although the COVID-19 epidemic situation in most overseas markets remained unstable, the overseas sales still increased by approximately 44.3% as compared with the corresponding period of 2020, which was mainly attributable to the Company’s effective marketing strategies overseas.

Net profit attributable to owners of the Company for the six months ended 30 June 2021 was approximately RMB204.4 million, with an increase of approximately RMB105.4 million or approximately 106.5% as compared with a net profit of approximately RMB99.0 million for the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

SALES AND MARKETING

The Group has an experienced sales and marketing team with professional skills, to support and manage existing distribution networks as well as to explore new markets. We improved the brand awareness and influence of our products by organizing or participating in domestic and international medical conferences, academic activities, seminars, live broadcasts of procedures and conducting trainings with doctors. Meanwhile, Lifetech Knowledge Exchange Program, which was established by the Group in 2012, connected cardiovascular experts around the world for academic exchanges. These experts shared and exchanged valuable medical experience and clinical skills to promote the development of medical technology in the field of minimally invasive cardiovascular interventions. Such activities showed our strength in product innovation, enhanced the international influence and promoted sales of the Company.

RESEARCH AND DEVELOPMENT (“R&D”)

Independently developed innovative domestic medical device products will maintain the competitive strength of the Company and also provide more effective treatment to patients around the world. In the first half of 2021, the Company continuously strengthened its innovation capabilities and accelerated the development of products, so as to maintain its leading position in the industry.

As at the date of this interim report, we made the following main progress in R&D field:

- G-iliac™ Iliac Artery Bifurcation Stent Graft System (“G-iliac™”) obtained official registration approval from the National Medical Products Administration (“NMPA”). G-iliac™ is used for the treatment of abdominal iliac aneurysms or common iliac aneurysms and is the first internal iliac artery reconstruction device independently developed in China to obtain registration approval;
- Xuper™ Open Surgery Stent Graft System obtained the CE certification in European Union;
- IBS Angel™ Iron Bioresorbable Scaffold System (“IBS Angel™”) obtained registration approval from Medical Device Authority in Malaysia, being the only absorbable stent product suitable for children in the world. Meanwhile, IBS Angel™ has started clinical enrollment in China;
- LAnavi™ Jointed Steerable Introducer obtained official registration approval from the NMPA, which is an ideal supplement of LAmbre™ LAA Occluder System and the first segmented bending guidance system for LAA treatment method in the world;
- Freepath™ Guidance System and OKcurve™ Steerable Delivery System obtained official registration approval from the NMPA respectively;
- Artery Stent Graft System (chimney graft), which consists of the Ankura™ Pro Artery Stent Graft System and Longuette™ Aortic Branch Stent Graft System, was approved as an innovative medical device in China. It is the world’s first stent graft system adopting “chimney technology” and is developed to treat aortic dissection lesion involving aortic arch. At present, thirteen products of the Company have been approved as innovative medical devices by the NMPA;

MANAGEMENT DISCUSSION AND ANALYSIS

- Cinenses™ Lung Volume Reduction Reverser System has completed the enrollment of clinical trials in Europe and entered into a one-year follow-up stage with safe and effective preliminary clinical results. Meanwhile, clinical trials for this product in China are in preparation;
- G-Branch™ Thoraco-Abdominal Aortic Stent Graft System has completed the enrollment of first in man research and the mid-term follow-up results are positive. This innovative device is expected to overcome the problem of intraluminal reconstruction of visceral branch arteries;
- LAmbre™ LAA Occluder System, IBS Titan™ Sirolimus-Eluting Iron Bioresorbable Peripheral Scaffold System and IBS Angel™ were approved in the United States by the Food and Drug Administration for “Compassionate Use”; and
- IBS™ Sirolimus-Eluting Iron Bioresorbable Coronary Scaffold System (“IBS™ Coronary Scaffold”) obtained the implied permission for conducting confirmatory clinical trials in China. With the steady advancement of follow-up clinical trials, there will be more evidence-based medical evidences to further confirm the safety and effectiveness of IBS™ Coronary Scaffold.

INTELLECTUAL PROPERTY RIGHTS

Intellectual property is an important intangible asset of the Group and an internal driving force to improve our core competitiveness in the medical device market. During the six months ended 30 June 2021, the Group has filed 54 patent applications while 66 patents were registered. As at 30 June 2021, the Group has filed a total of 1,350 patent applications, of which 496 patents were registered.

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 RMB461.1 million for the six months ended 30 June 2021, with an increase of approximately RMB188.1 million or approximately 68.9% as compared with the revenue of approximately RMB273.0 million for the six months ended 30 June 2020. The increase was mainly attributable to the increase of revenue from stent graft, LAA occluder and Cera occluders.

Revenue from structural heart diseases business

The turnover contributed by the structural heart diseases business for the six months ended 30 June 2021 was approximately RMB159.1 million (corresponding period of 2020: approximately RMB79.3 million), representing an increase of approximately 100.6% as compared with the corresponding period of 2020.

With the diversification of product portfolio, our products cover a wide spectrum of the structural heart diseases business, which mainly include LAA occluder and three generations of congenital heart occluders named HeartR, Cera and CeraFlex. As compared with the corresponding period of 2020, the revenue generated from the sales of LAA occluder increased by approximately 147.5%, HeartR occluders increased by approximately 47.3%, Cera occluders increased by approximately 160.0% and CeraFlex occluders increased by approximately 13.3%.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue from peripheral vascular diseases business

The turnover contributed by the peripheral vascular diseases business for the six months ended 30 June 2021 was approximately RMB286.8 million (corresponding period of 2020: approximately RMB191.2 million), representing an increase of approximately 50.0% as compared with the corresponding period of 2020.

The products offered in the peripheral vascular diseases business mainly included vena cava filter, Thoracic Aortic Aneurysm stent graft, Abdominal Aortic Aneurysm stent graft and Iliac Artery Bifurcation Stent Graft. As compared with the corresponding period of 2020, the revenue generated from the sales of stent grafts increased by approximately 60.8% and vena cava filter increased by approximately 24.7%.

Revenue from cardiac pacing and electrophysiology business

The turnover contributed by the cardiac pacing and electrophysiology business for the six months ended 30 June 2021 was approximately RMB15.2 million (corresponding period of 2020: approximately RMB2.5 million), representing a growth of approximately 508.0% as compared with the corresponding period of 2020.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit of the Group increased by approximately 72.5% from approximately RMB217.1 million for the six months ended 30 June 2020 to approximately RMB374.4 million for the six months ended 30 June 2021.

Gross profit margin increased by approximately 1.7% from approximately 79.5% for the six months ended 30 June 2020 to approximately 81.2% for the six months ended 30 June 2021. The increase was mainly attributable to (i) the optimization of sales portfolio and the sales volume of high gross profit margin products increased; and (ii) with the increase in sales and production volume, the unit allocation of fixed expenses such as indirect labor, property, plant and equipment depreciation has been relatively decreased, thereby reducing the unit cost of the products.

OTHER INCOME, EXPENSES, GAINS AND LOSSES

Other income, expenses, gains and losses decreased from approximately RMB39.9 million for the six months ended 30 June 2020 to approximately RMB35.4 million for the six months ended 30 June 2021, which was mainly due to (i) a decrease in government grants; and (ii) an increase in net foreign exchange losses.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses increased by approximately 54.0% from approximately RMB50.4 million for the six months ended 30 June 2020 to approximately RMB77.6 million for the six months ended 30 June 2021. The increase was mainly due to (i) an increase in marketing expenses and travel expenses, resulting from the gradual recovery of on-site exhibitions; and (ii) an increase in staff costs.

MANAGEMENT DISCUSSION AND ANALYSIS

ADMINISTRATION EXPENSES

Administration expenses increased by approximately 5.9% from approximately RMB37.3 million for the six months ended 30 June 2020 to approximately RMB39.5 million for the six months ended 30 June 2021. The slight increase was mainly due to the increase in staff costs.

RESEARCH AND DEVELOPMENT EXPENSES

R&D expenses increased by approximately 31.0% from approximately RMB49.6 million for the six months ended 30 June 2020 to approximately RMB65.0 million for the six months ended 30 June 2021. In addition, during the current period, approximately RMB26.7million (corresponding period of 2020: approximately RMB23.6 million) was capitalised in development expenditure. Considering such capitalised expenditure, R&D cost increased by approximately 25.3% from approximately RMB73.2 million for the six months ended 30 June 2020 to approximately RMB91.7 million for the six months ended 30 June 2021. The increase was mainly due to (i) an increase in developing projects expenditure, especially for significant increase in clinical trials; and (ii) an increase in staff costs.

OPERATING PROFIT

During the six months ended 30 June 2021, we recorded an operating profit of approximately RMB227.6 million, which represented an increase of approximately 90.0% as compared with the operating profit of approximately RMB119.8 million for the six months ended 30 June 2020. Such increase was primarily due to (i) the growth of gross profit; and (ii) the increase in investment income resulting from financial assets at fair value through profit or loss ("FVTPL").

SHARE OF RESULTS OF ASSOCIATES

The Group's share of losses in associates was approximately RMB0.4 million for the six months ended 30 June 2021 (corresponding period of 2020: losses approximately RMB0.5 million).

FINANCIAL ASSETS AT FVTPL

On 10 May 2018, the Group invested USD20.0 million (equivalent to approximately RMB127.3 million) to subscribe for 2,000 participating shares representing of approximately 26.67% in ABG-Grail Limited in order to indirectly hold a minority equity interest of 15,786,150 preferred shares representing approximately 0.5% in Grail, Inc. ("GRAIL"). GRAIL is a healthcare company with a focus on saving lives and improving health by pioneering new technologies for early cancer detection. On 21 September 2020, Illumina, Inc. (NASDAQ: ILMN) and GRAIL announced they have entered into a definitive agreement under which Illumina, Inc. will acquire GRAIL for cash and stock consideration of USD8,000.0 million upon closing of the transaction. In addition, GRAIL stockholders will receive future payments representing a tiered single digit percentage of certain GRAIL-related revenues. The agreement has been approved by the boards of directors of Illumina, Inc. and GRAIL. The fair value of our investment in ABG-Grail Limited as at 30 June 2021 amounted to approximately RMB263.0 million, representing approximately 8.5% of the Company's total assets. No dividend arising from our investment in ABG-Grail Limited was received during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

On 25 May 2018, the Group invested USD6.0 million (equivalent to approximately RMB38.2 million) to subscribe for the partnership interests of approximately 9.69% in Ally Bridge Group Innovation Capital Partners III, L.P., a private equity fund established in Cayman Islands (the "Fund"). The Fund principally invests in securities or assets of companies that are involved in the healthcare industry, particularly focus on cross-border innovative late-stage venture opportunities and cross-over investments. The fair value of our investment in the Fund as at 30 June 2021 amounted to approximately RMB91.6 million, representing approximately 3.0% of the Company's total assets. During the six months ended 30 June 2021, the Fund distributed approximately RMB27.7 million (corresponding period of 2020: approximately RMB10.0 million) investment income to the Group.

On 19 January 2021, the Group also invested RMB10.0 million to subscribe for a share of the private securities investment fund managed by First Think Capital. The fair value of this investment as at 30 June 2021 amounted to approximately RMB10.2 million, representing approximately 0.3% of the Company's total assets.

The unrealised foreign exchange losses in financial assets at FVTPL was approximately RMB3.6 million for the six months ended 30 June 2021 (corresponding period of 2020: gains approximately RMB2.7 million), and the gains from changes in fair value of financial assets at FVTPL was approximately RMB0.2 million (corresponding period of 2020: losses approximately RMB1.8 million).

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

FINANCE INCOME AND FINANCE COSTS

Finance income increased by approximately 560.0% from approximately RMB1.0 million for the six months ended 30 June 2020 to approximately RMB6.6 million for the six months ended 30 June 2021. The increase was mainly due to the increase in interest income received from fixed and pledged bank deposits.

Finance costs decreased by approximately 77.3% from approximately RMB8.8 million for the six months ended 30 June 2020 to approximately RMB2.0 million for the six months ended 30 June 2021. The decrease was due to the decrease in interest-bearing bank borrowings.

INCOME TAX

Income tax increased from approximately RMB15.3 million for the six months ended 30 June 2020 to approximately RMB31.2 million for the six months ended 30 June 2021. Such increase was mainly due to the increase in assessable income.

NET PROFIT

Net profit attributable to owners of the Company for the six months ended 30 June 2021 was approximately RMB204.4 million, representing an increase of approximately 106.5% as compared with a net profit of approximately RMB99.0 million for the six months ended 30 June 2020. The increase was mainly attributable to (i) the growth of gross profit; and (ii) the increase in investment income resulting from financial assets at FVTPL.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

During the six months ended 30 June 2021, the Group mainly financed its operations with its own working capital and equity funding.

The Group recorded total current assets of approximately RMB1,603.6 million as at 30 June 2021 (31 December 2020: approximately RMB1,544.8 million) and total current liabilities of approximately RMB414.4 million as at 30 June 2021 (31 December 2020: approximately RMB493.6 million). As at 30 June 2021, total current liabilities of the Group primarily included trade and other payables amounting to approximately RMB307.2 million (31 December 2020: approximately RMB265.0 million) and bank borrowings amounting to approximately RMB61.2 million (31 December 2020: approximately RMB174.5 million). Trade and other payables primarily included accrued expenses of approximately RMB88.3 million (31 December 2020: approximately RMB74.6 million) primarily in relation to clinical expenses and exhibition expenses, as well as accrued payroll and bonus of approximately RMB41.8 million (31 December 2020: approximately RMB63.5 million)

The current ratio (calculated by dividing the total current assets by the total current liabilities) of the Group was approximately 3.87 as at 30 June 2021 (31 December 2020: approximately 3.13).

BORROWINGS

As at 30 June 2021, the Group's bank borrowings were amounted to approximately RMB61.2 million, with a decrease of approximately RMB113.3 million as compared to approximately RMB174.5 million as at 31 December 2020. None of bank borrowings was borrowed at fixed interest rate. The decrease in the Group's bank borrowings was primarily attributable to the 2020 Placing (as defined below) which boosted the equity standing of the Group and enabled the Group to place less reliance on debt financing in the foreseeable future. With the proceeds generated from the 2020 Placing, the Company repaid some of the bank borrowings in the first half of 2021. Please refer to the paragraph headed "The 2020 Placing" below for further details. As at 30 June 2021, the bank borrowings were made in United States Dollars. Particulars of the bank borrowings, for instance the maturity profile of the borrowings, are set out in Note 17 to the condensed consolidated financial statements in this interim report.

The interest incurred therefrom was approximately RMB2.0 million during the six months ended 30 June 2021 (corresponding period of 2020: approximately RMB8.8 million).

CASH AND CASH EQUIVALENT

As at 30 June 2021, the Group's cash and cash equivalents were approximately RMB588.2 million, representing a decrease of approximately 39.5% from approximately RMB971.7 million as at 31 December 2020. The decrease was mainly due to part of the cash and cash equivalents deposited as fixed bank deposits. Our cash and cash equivalents were mainly denominated in Renminbi and Hong Kong Dollars.

GEARING RATIO

As at 30 June 2021, the gearing ratio (calculated as a ratio of bank borrowings to total equity) of the Group was approximately 2.4% (31 December 2020: approximately 7.4%).

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE

Total equity attributable to equity holders of the Company amounted to approximately RMB2,554.3 million as at 30 June 2021 as compared with approximately RMB2,340.1 million as at 31 December 2020.

TREASURY POLICY

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

PROPERTY HELD FOR DEVELOPMENT

On 26 June 2019, Dongguan LifeTech Medical Co., Ltd (東莞市先健醫療有限公司) ("Dongguan LifeTech"), a wholly-owned subsidiary of the Company entered into a land use right transfer contract with the Dongguan Natural Resources Bureau (東莞市自然資源局) for the acquisition of land use right of a land which has a site area of 43,604 square meters located at the southeast of the intersection of South 1 Road and South 8 Road in eastern Songshan Lake, Dongguan, Guangdong, the People's Republic of China ("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 with underground carparks, comprising plant, offices, canteen and dormitories with a total site area of approximately 43,604 square meters to cater for the Group's day-to-day business and operational needs in Dongguan and nearby regions. The contract price for the construction works is up to a maximum aggregate amount of RMB620.0 million. The construction contract was approved by independent shareholders by way of poll at the extraordinary general meeting of the Company held on 30 June 2020.

The Land is currently under construction. The entire basement and the main structure of all buildings have been basically completed. The basic construction of all buildings of the industrial park is expected to be completed in November 2021 and it is expected to be ready for operational use in 2023.

For further details, please refer to the Company's announcements dated 26 June 2019, 24 April 2020 and 30 June 2020 and the circular dated 9 June 2020.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this interim report, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended 30 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under the paragraph headed “Financial Review – Financial assets at FVTPL”, there were no significant investments held by the Company for the six months ended 30 June 2021, nor was there any plan authorized by the Board for other material investments or additions of capital assets as at the date of this interim 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 maximizing shareholders’ interests and creating more value.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2021.

FINANCIAL INSTRUMENT

During the six months ended 30 June 2021, the Group did not have or use any financial instruments for hedging purpose.

CAPITAL EXPENDITURE

During the six months ended 30 June 2021, the capital expenditure of the Group for property, plant and equipment, construction in progress, intangible assets and deposits for property, plant and equipment amounted to approximately RMB137.0 million (corresponding period of 2020: approximately RMB60.9 million).

FOREIGN EXCHANGE EXPOSURE

During the six months ended 30 June 2021, the Group’s operations were primarily based in the PRC and Europe. The revenue derived from Europe accounted for approximately 7.3% (corresponding period of 2020: approximately 10.9%) of the total revenue of the Group. The Group’s operational results and financial condition may be affected by fluctuations in the exchange rates of the foreign currencies which the Group conducts its businesses with, such as Euro, US Dollars, Indian Rupees and HK Dollars. The Group had not implemented any hedging policies to deal with such exposure during the Reporting Period. However, the management of the Group monitors foreign currency exposure closely in order to keep the net exposure to an acceptable level. The Group will consider hedging significant foreign currency exposure should the need arises.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGES ON GROUP ASSETS

As at 30 June 2021, the Group pledged bank deposit of RMB30.0 million (31 December 2020: pledged bank deposit of RMB108.0 million) for the purpose of securing the bank borrowings.

Save as disclosed above, as at 30 June 2021, the Group did not have other charges on its assets.

SEGMENT INFORMATION

During the six months ended 30 June 2021, the revenue of the Group was principally generated from structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. The structural heart diseases business mainly consists of congenital heart diseases occluders and LAA occluder. The peripheral vascular diseases business mainly includes vena cava filter and stent grafts. The cardiac pacing and electrophysiology business mainly relates to pacemakers. With the aging of population, urbanization and the increase of health awareness of the public driving the steady growth in the industry, together with our effort in R&D, it is expected that the market demand for the Company's products will continue to grow, which will lead to further 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 strategy. At the same time, the LAMBRE™ LAA occluder is the world's first Chinese-owned LAA occluder brand, which is used to treat patients with non-valvular atrial fibrillation who have high risk of stroke. 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 the world's leading systemic comprehensive interventional medical devices treatments of peripheral vascular diseases. Among which, the market shares of vena cava filters and stent graft systems occupy a leading position in the domestic market. With the aging of the population, the increase of diseases detection rate and the expansion of product applications, the market demand for these products is expected to keep growing.

Cardiac pacing and electrophysiology business

The Company is the first manufacturer in China that has a complete product portfolio of implantable cardiac pacemakers with international-level technology and functions. As China currently has a large number of unsatisfied demand for pacemaker implantation treatment, and there is good potential for domestically-made pacemakers to substitute imported pacemakers, it is expected that the market performance of the Company's domestically-made pacemakers is reasonably 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 business segments is presented in Note 4 to the condensed consolidated financial statements in this interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had 874 (31 December 2020: 791) full-time employees and two executive Directors (31 December 2020: two). Total staff costs, including Directors' emoluments, amounted to approximately RMB89.8 million for six months ended 30 June 2021 (corresponding period of 2020: approximately RMB76.2 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 each employee's monthly salary 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 also operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong. Contributions to these schemes are expensed as incurred. During the six months ended 30 June 2021, the total cost paid or payable in relation to contributions to retirement benefits scheme was approximately RMB8.3 million (corresponding period of 2020: approximately RMB2.1 million). No contributions made by the Group to the defined contribution plans operated by the Group may be reduced by contribution forfeited for those employees who have left the defined contribution plans prior to the full vesting of the relevant employee's contribution.

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 fair and effective performance appraisal system and schemes designed to motivate and reward employees at all levels for their performance and achievements. A share option scheme was adopted for employees of the Group on 22 October 2011 which was subsequently amended by unanimous written resolutions of the Board on 5 May 2015 (the "Share Option Scheme"). The Company also adopted share award scheme on 28 December 2018, which was subsequently amended by unanimous written resolutions of the Board on 29 April 2019 (the "Share Award Scheme").

Employees are the cornerstone of enterprise development, the Group is committed to providing all employees with a safe and harassment-free 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 also established a labor union to safeguard the legitimate rights of employees and further promote the sustainable, stable and healthy development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2021, approximately HKD526.6 million brought forward from the net proceeds received by the Company from the 2020 Placing remained unutilised.

As at 30 June 2021, 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 2020 (HKD in million)	Approximate utilisation of proceeds during the six months ended 30 June 2021 (HKD in million)	Approximate amount of net proceeds unutilised as at 30 June 2021 (HKD in million)	Expected timeline for utilisation of unutilised proceeds
Repayment of certain bank borrowings of the Group	406.0	207.4	133.8	73.6	As and when the bank loans are due throughout the second half of 2021, subject to adjustments in the timing of repayments according to actual business needs
Funding potential business development involving a new overseas clinical project	465.0	465.0	12.0	453.0	To be applied in the second half of 2021 (HKD28.0 million), 2022 (HKD155.0 million) and 2023 (HKD270.0 million) subject to adjustments (if any)
General working capital of the Group	59.0	59.0	59.0	—	
Total	930.0	731.4	204.8	526.6	

Approximately HKD204.8 million of the net proceeds of the 2020 Placing had been utilised during the six months ended 30 June 2021 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.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The Group will continue to strengthen its development in the second half of 2021 by relying on its existing three core businesses, namely structural heart diseases business, peripheral vascular diseases business and cardiac pacing and electrophysiology business. We will also keep expanding our distribution network, developing new products and promoting resource integration, so as to further consolidate and strengthen our leading position in the interventional medical device industry.

At present, the global economy remains affected by the COVID-19 epidemic and it is difficult to foresee how long the epidemic will continue to shroud the global economy and ascertain the profoundness of its impact. In the second half of 2021, the Group will closely monitor the latest developments of the epidemic, and effectively strengthen the management of cost and cash flow, so as to ensure the sustainable development of the Group. Meanwhile, we will operate existing business with prudent and pragmatic guidelines, actively seek out investment opportunities that maximize the interests of our shareholders, and diversify business risks by expanding the source of income.

Dongguan Lifetech Quantum Medical Technology Co., Ltd., which is jointly established by the Group, Ally Bridge Group and Quantum Surgical SAS, is expected to submit the registration application of a tumor interventional surgery robot to NMPA by the end of 2021 and will simultaneously prepare for clinical trials initiated by Chinese investigators. The introduction of tumor interventional surgery robots is expected to greatly improve the accuracy and success rate of surgeries and also effectively reduce patients' complications and radiation dose, which is of great significance for clinical treatment.

Looking further ahead, we will continue to focus on the improvement of technology, automation production, and product quality, further improve the Group's innovation capabilities, continue to optimize the production and sales model, as well as consolidate and expand the Group's global market share, and strengthen the Group's international influence. In addition, we will continue to actively explore opportunities for investment and cooperation with companies with sound market potential in the global medical and health industry, integrate internal and external advantageous resources, expand our scope of business, and further deepen the Group's global presence. By achieving our ambitious goals in the global medical and health field, we will create greater value for patients, doctors, shareholders and other stakeholders.

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 material code provisions of the CG Code during the six months ended 30 June 2021, 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.

On 19 April 2021, Mr. FU Feng resigned as a non-executive Director. Please refer to the announcement of the Company published on the website of the Stock Exchange on 19 April 2021 for further information.

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 2021.

CORPORATE GOVERNANCE HIGHLIGHTS

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 2021.

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 2021 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.

OTHER INFORMATION

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 2021, 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	17.32%
Mr. LIU Jianxiong	Beneficial owner	24,940,000 ²	0.54%

Notes:

- These interests represented:
 - 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
 - 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.
- These interests represented:
 - 8,140,000 Shares held by Mr. LIU Jianxiong, our Executive Vice President, executive Director, Chief Financial Officer and company secretary; and
 - 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 2021, 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 2021, other than the interests of Directors or chief executives of the Company as disclosed under the heading "Directors' and chief executives' interests and short position 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	16.90%
Bank of Communications Trustee Limited	Beneficial owner	303,030,000	6.55%
Gaoling Fund, L.P. (Note 2)	Beneficial owner	413,716,000	8.94%
Hillhouse Capital Advisors, Ltd.	Investment Manager	428,738,000	9.26%

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.
- Gaoling Fund, L.P. is a limited partnership formed under the laws of the Cayman Islands. Hillhouse Capital Advisors, Ltd. serves as the sole investment manager of Gaoling Fund, L.P. and is deemed to be interested in the shares held by Gaoling Fund, L.P. and other controlled entity under the SFO.

Save as disclosed above, as at 30 June 2021, 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.

OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted the Share Option Scheme on 22 October 2011 and the Share Option Scheme was amended by unanimous written resolutions of the Board on 5 May 2015. Such amendment to the Share Option Scheme was made due to the transfer of listing of the Shares from the Growth Enterprise Market of the Stock Exchange to the Main Board of the Stock Exchange and in order to ensure the compliance and consistent with the Listing Rules.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to the 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 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) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributors, contractors, suppliers, service providers, agents, customers and business partners of our Company and/or any of our subsidiaries (collectively the "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 must not, in aggregate, exceed 10% of the issued share capital of our Company as at the Listing Date (the "Scheme Mandate Limit") unless Shareholders' approval has been obtained. 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.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme shall not, in aggregate, exceed 400,000,000 shares, being 10% of the total issued shares of the Company as at the Listing Date.

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 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 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 the 22 October 2011 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 22 October 2011, 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.

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 from 1 January 2021 to 30 June 2021:

Name	Date of grant	Vesting schedule	Option period	Exercise price	Granted on the date of grant	Outstanding as at 1 January 2021	Number of shares			Outstanding as at 30 June 2021
							Exercised during the 6 months ended 30 June 2021	Closing price (weighted average) of the shares of the Company immediately before the dates on which the options were exercised	Cancelled/Lapsed during the 6 months ended 30 June 2021	
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 Jianxiang	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										
Aggregate of other Grantees	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	36,821,600 (Note 1)	(790,000)	HKD4.751	—	36,031,600 (Note 2)
	31 March 2021 (Note 3)	30% of options on 31 March 2022, 30% of options on 31 March 2023 and 40% of options on 31 March 2024 respectively	10 years from the date of grant	HKD3.570	33,320,000 (Note 4)	—	—	—	—	33,320,000
Sub-total					156,920,000	36,821,600	(790,000)	—	—	69,351,600
Total					193,320,000	73,221,600	(790,000)	—	—	105,751,600

Note 1: The 36,821,600 outstanding share options as at 1 January 2021 were held by 21 grantees who were employees of the Group.

Note 2: The 36,031,600 outstanding share options as at 30 June 2021 were held by 21 grantees who were employees of the Group.

Note 3: The closing price of the shares of the Company immediately before the date on which the options were granted (i.e. 31 March 2021) was HKD3.510.

Note 4: The 33,320,000 share options granted on 31 March 2021 were held by 128 grantees who were employees of the Group.

OTHER INFORMATION

The Binomial Model had been used to estimate the fair value of the share options, including the share options granted on 31 March 2021. 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. The fair value of the share options granted on 31 March 2021 (the "Grant Date") was HKD44.3 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; (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)

Shareholders should be aware that any calculation of the value of the share options involves subjectivity and uncertainty as it is subject to multiple assumptions and the limitations of the Binomial Model.

SHARE AWARD SCHEME

The Company adopted the Share Award Scheme on 28 December 2018 which was subsequently amended by an unanimous written resolution of the Board on 29 April 2019.

The Share Award Scheme does not constitute a share option scheme under Chapter 17 of the Listing Rules and is a discretionary scheme of the Company. No shareholders' approval is required to adopt the Share Award Scheme.

On 28 December 2018, the Company, Eternal Space Limited (the "Purchaser", also a wholly-owned subsidiary of The Core Trust Company Limited (the "Former Trustee")), the Former Trustee and Synergy Summit Limited (the "Vendor"), the wholly-owned subsidiary of China Everbright Limited, entered into a sale and purchase agreement (the "Agreement"). Pursuant to the Agreement and subject to the approval by the shareholders of the Company, the Purchaser, as instructed by the Company, conditionally agreed to purchase from the Vendor not more than 300,000,000 ordinary shares of the Company (the "Sales Shares") for the purpose of the Share Award Scheme. For details of the Agreement, please refer to the announcement of the Company dated 28 December 2018 and the circular of the Company dated 7 March 2019. The Agreement was approved by the shareholders of the Company pursuant to the passing by poll in an extraordinary general meeting of the Company on 22 March 2019.

OTHER INFORMATION

On 15 May 2019, the Company entered into a deed of novation with the Purchaser, the Former Trustee, the Vendor and Bank of Communications Trustee Limited as the new trustee (the “New Trustee”), pursuant to which, among other things, the Former Trustee and the Purchaser, which is a nominee of the Former Trustee (collectively, the “Transferors”), have agreed to novate and transfer, and the New Trustee has agreed to accept and acquire, all of the Transferors’ rights and obligations under the Agreement. For more details, please refer to the announcement of the Company dated 15 May 2019.

On 29 May 2019, the New Trustee acquired from the Vendor, the Sales Shares, representing approximately 6.93% of the issued share capital of the Company as at the date of such acquisition. The New Trustee will hold the Sale Shares on trust for the beneficiaries, i.e. the core team members and employees of the Company, including Directors and senior management of the Company, in accordance with the trust deed entered into between Company and the New Trustee on 15 May 2019 and the Share Award Scheme. For more details, please refer to the announcement of the Company dated 29 May 2019.

Pursuant to the Share Award Scheme, the New Trustee purchased a total of 12,620,000 shares of the Company at cash consideration of HKD17,236,520 on the Stock Exchange during the year ended 31 December 2019.

On 29 September 2020, 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 share which have been fully vested at the same date under Share Award Scheme but remained unsubscribed as at 30 June 2021. There were no vesting conditions attached to the Award Shares (as defined below). The Company funded the Share Award Scheme, and determined the share-based payments based on the difference between the closing market price of the Awarded Shares at the grant date and considerations receivable from Eligible Participants upon exercise.

1. Objective of the Share Award Scheme

The objectives of the Share Award Scheme are (i) to recognise and motivate the contributions by certain eligible participants and to incentivize 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 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 Share Award Scheme (“Award Shares”) to any full-time or part-time employees, Directors (including executive Directors and non-executive Directors) 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 “Selected Participants”).

OTHER INFORMATION

3. Maximum number of Award Shares

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

As at 30 June 2021, an aggregate of 312,620,000 Award Shares had been granted to certain Selected Participants subject to the terms of the Share Award Scheme and certain other terms and conditions.

4. Amount payable for the Award Shares

An offer of grant of Award Shares shall remain open for acceptance by the 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 New Trustee 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 Participants before any Award Shares may be transferred to and vested in the Selected Participants.

6. Remaining Life of the Share Award Scheme

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the Adoption Date after which no further Award Share may be offered. The table below sets out the movements of Award Shares during the period from 1 January 2021 to 30 June 2021:

Name	Date of grant	Vesting date	Issue price	As at 1 January 2021	Number of shares granted during the six months	Number of shares vested during the six months	Cancelled/ Lapsed during the six months ended 30 June 2021	Outstanding as at 30 June 2021
Other Grantees								
Aggregate of other Grantees (6 employees)	29 September 2020	29 September 2020	HKD1.35 (Note)	312,620,000	—	—	—	312,620,000
Total				312,620,000	—	—	—	312,620,000

Note: 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 the Sale Shares from the Vendor 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.

OTHER INFORMATION

INTERIM DIVIDEND

The Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (corresponding period of 2020: 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 position in shares, underlying shares and debentures of the Company or its associated corporations" above, at no time during the six months ended 30 June 2021 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 2021, 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 2021.

DISCLOSURE OF INFORMATION

The interim report of the Group for the six months ended 30 June 2021 containing all the relevant information required by the Listing Rules has been published on the websites of Hong Kong Exchanges and Clearing 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 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

The Board is pleased to announce the unaudited condensed consolidated results of the Group for the six months ended 30 June 2021 together with the comparative figures for the corresponding period of 2020 and the relevant explanatory notes as set out below.

	NOTES	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	4	461,141	272,950
Cost of sales		(86,789)	(55,889)
Gross profit		374,352	217,061
Other income, expenses, gains and losses	5	35,386	39,886
Selling and distribution expenses		(77,634)	(50,361)
Administration expenses		(39,450)	(37,266)
Research and development expenses		(65,021)	(49,563)
Operating profit		227,633	119,757
Finance (costs) income, net		4,582	(7,792)
Share of losses of associates		(393)	(473)
Profit before tax	6	231,822	111,492
Income tax expense	7	(31,171)	(15,311)
Profit for the period		200,651	96,181
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		613	421
Other comprehensive income for the period		613	421
Total comprehensive income for the period		201,264	96,602
Profit for the period attributable to:			
Owners of the Company		204,407	98,950
Non-controlling interests		(3,756)	(2,769)
		200,651	96,181
Total comprehensive income attributable to:			
Owners of the Company		205,020	99,371
Non-controlling interests		(3,756)	(2,769)
		201,264	96,602
Earnings per share	9		
– Basic		RMB4.7 cents	RMB2.3 cents
– Diluted		RMB4.5 cents	RMB2.3 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTES	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	501,911	414,262
Right-of-use assets	11	72,899	69,259
Investment properties		145,339	148,197
Intangible assets	10	329,945	304,903
Interests in associates	12	19,074	12,729
Financial assets at FVTPL	13	364,955	358,298
Deposits for acquisition of property, plant and equipment		15,184	16,159
Deferred tax assets		42,398	35,896
Fixed bank deposits		—	50,000
		1,491,705	1,409,703
Current assets			
Inventories		104,859	99,623
Trade receivables	14	118,504	107,135
Other receivables and prepayments		101,412	87,413
Fixed bank deposits		660,640	170,992
Pledged bank deposit		30,000	108,000
Bank balances and cash		588,159	971,683
		1,603,574	1,544,846
Current liabilities			
Trade and other payables	15	307,212	265,046
Contract liabilities		4,252	14,216
Tax payables		32,377	33,031
Lease liabilities		9,334	6,846
Bank borrowings	17	61,209	174,462
		414,384	493,601
Net current assets		1,189,190	1,051,245
Total assets less current liabilities		2,680,895	2,460,948

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	NOTES	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Non-current liabilities			
Government grants	16	32,897	30,285
Lease liabilities		6,813	4,673
Financial liabilities at FVTPL	18	67,500	67,500
		107,210	102,458
Net assets			
		2,573,685	2,358,490
Capital and reserves			
Share capital	19	37	37
Reserves		2,554,269	2,340,108
Equity attributable to owners of the Company		2,554,306	2,340,145
Non-controlling interests		19,379	18,345
Total equity		2,573,685	2,358,490

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve RMB'000 (Note i)	Capital reserve RMB'000	Contribution reserve RMB'000 (Note ii)	Share option reserve RMB'000	Share held for Share Award Scheme RMB'000 (Note iii)	Accumulated profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	35	777,668	975	689	50,259	(3)	32,531	74,347	(339,596)	555,107	1,152,012	9,650	1,161,662
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	98,950	98,950	(2,769)	96,181
Other comprehensive income for the period	—	—	—	421	—	—	—	—	—	—	421	—	421
Total comprehensive income (loss) for the period	—	—	—	421	—	—	—	—	—	98,950	99,371	(2,769)	96,602
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	3,295	—	—	3,295	—	3,295
Exercise of share options	—	12,657	—	—	—	—	—	(4,551)	—	—	8,106	—	8,106
At 30 June 2020 (unaudited)	35	790,325	975	1,110	50,259	(3)	32,531	73,091	(339,596)	654,057	1,262,784	6,881	1,269,665
At 1 January 2021	37	1,607,945	1,475	1,726	50,207	(3)	32,531	63,392	(188,357)	771,192	2,340,145	18,345	2,358,490
Profit (loss) for the period	—	—	—	—	—	—	—	—	—	204,407	204,407	(3,756)	200,651
Other comprehensive income for the period	—	—	—	613	—	—	—	—	—	—	613	—	613
Total comprehensive income (loss) for the period	—	—	—	613	—	—	—	—	—	204,407	205,020	(3,756)	201,264
Capital contributed by non-controlling interest of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	4,790	4,790
Increase of interests in an associate	—	—	3,638	—	—	—	—	—	—	—	3,638	—	3,638
Recognition of equity-settled share-based payments	—	—	—	—	—	—	—	4,527	—	—	4,527	—	4,527
Exercise of share options	—	1,521	—	—	—	—	—	(545)	—	—	976	—	976
At 30 June 2021 (unaudited)	37	1,609,466	5,113	2,339	50,207	(3)	32,531	67,374	(188,357)	975,599	2,554,306	19,379	2,573,685

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 Shenzhen from shareholders and the carrying amount of the share of net assets acquired in August 2006 and it is regarded as a deemed contribution from shareholders under merger accounting.
- (iii) On 28 December 2018, the Company adopted the Share Award Scheme. For the purpose of this scheme, the Company instructed Bank of Communications Trustee Limited to purchase an aggregate of 300,000,000 ordinary shares from Synergy Summit Limited (the "Vendor"), a substantial shareholder of the Company, with funding provided by the Company. The consideration for the shares was set at HKD1.23 per ordinary share and the ordinary shares will be granted to any employee, executive and non-executive director of the Company (the "Eligible Participants") who will contribute to the Company. During the year ended 31 December 2019, in accordance with the Share Award Scheme, a total of 300,000,000 ordinary shares at a consideration of RMB324,314,000 had been purchased from the Vendor, and a total of 12,620,000 ordinary shares at a consideration of RMB15,282,000 had been purchased from the market (together the "Award Shares").

Pursuant to the grant notices and vesting notices to Eligible Participants dated 29 September 2020, a total of 312,620,000 ordinary 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 Share Award Scheme but remained unsubscribed as at 30 June 2021. There were no vesting conditions attached to such Award Shares. The Company determined the share-based payments based on the difference between the closing market price of the Award Shares at the grant date and considerations receivable from Eligible Participants upon exercise.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Cash generated from operations	239,446	126,740
Income taxes paid	(40,105)	(20,623)
NET CASH FROM OPERATING ACTIVITIES	199,341	106,117
INVESTING ACTIVITIES		
Deposits paid for and purchase of property, plant and equipment	(113,170)	(41,349)
Payments for intangible assets	(2,561)	—
Expenditure incurred and capitalised as intangible assets	(26,281)	(22,970)
Government grants received for acquisition of plant and equipment	5,000	3,450
Investment income from financial assets at FVTPL	27,667	9,998
Interest received from bank deposits	6,578	1,052
Capital contribution to associates	(3,100)	(10,000)
Placement of pledged bank deposit	—	(48,000)
Release of pledged bank deposit	78,000	—
Placement of fixed bank deposits	(489,648)	(50,000)
Release of fixed bank deposits	50,000	30,000
NET CASH USED IN INVESTING ACTIVITIES	(467,515)	(127,819)
FINANCING ACTIVITIES		
Bank borrowings raised	—	142,720
Repayments of bank borrowings	(113,253)	(93,945)
Proceeds from issue of Shares upon exercise of share options	976	8,106
Interest paid for bank borrowings	(1,996)	(1,735)
Repayments of lease liabilities	(6,131)	(8,002)
Repayments of Interest on lease liabilities	(349)	(360)
Capital contributed by non-controlling interests of subsidiaries	4,790	—
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(115,963)	46,784
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(384,137)	25,082
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	971,683	299,027
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	613	421
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, representing bank balances and cash	588,159	324,530

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 had been listed on the Growth Enterprise Market of the Stock Exchange until 5 November 2013 when its Shares were delisted from the Growth Enterprise Market of the Stock Exchange, and its Shares were listed on the Main Board of the Stock Exchange by way of transfer of listing on 6 November 2013. 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, PRC.

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

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

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 of the 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 2021 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

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 2021

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 2021

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. SEGMENT INFORMATION - *continued*

(a) Segment revenue and results - *continued*

For the six months ended 30 June 2020

	Structural heart diseases business RMB'000 (Unaudited)	Peripheral vascular diseases business RMB'000 (Unaudited)	Cardiac pacing and electrophysiology business RMB'000 (Unaudited)	Subtotal RMB'000 (Unaudited)	Elimination RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
SEGMENT REVENUE						
External sales	79,290	191,151	2,509	272,950	—	272,950
Inter-segment sales	29,767	10,132	—	39,899	(39,899)	—
	109,057	201,283	2,509	312,849	(39,899)	272,950
Segment profit (loss)	69,208	153,907	(6,054)	217,061	—	217,061
Unallocated income						
– Other income and other gains						58,463
– Finance income						1,052
Unallocated expense						
– Selling and distribution expenses						(50,361)
– Administration expenses						(37,266)
– Research and development expenses						(49,563)
– Other expenses and losses						(18,577)
– Finance costs						(8,844)
– Share of losses of associates						(473)
Profit before tax						111,492

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 2021

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 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	231,566	255,217
Peripheral vascular diseases business	597,635	554,796
Cardiac pacing and electrophysiology business	83,867	113,683
Total segment assets	913,068	923,696
Unallocated assets		
Interests in associates	19,074	12,729
Property, plant and equipment	168,233	78,293
Right-of-use assets	72,899	69,259
Investment properties	145,339	148,197
Deferred tax assets	42,398	35,896
Financial assets at FVTPL	364,955	358,298
Other receivables and prepayments	80,014	16,354
Bank balances and cash	588,159	971,683
Fixed bank deposits	660,640	220,992
Pledged bank deposit	30,000	108,000
Deposits paid for property, plant and equipment	10,500	11,152
Consolidated assets	3,095,279	2,954,549

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

4. SEGMENT INFORMATION - *continued*

(b) Segment assets and liabilities - *continued*

Segment liabilities

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Operating segments:		
Structural heart diseases business	32,810	25,475
Peripheral vascular diseases business	75,296	60,464
Cardiac pacing and electrophysiology business	1,393	3,743
Total segment liabilities	109,499	89,682
Unallocated liabilities		
Other payables	197,008	184,442
Lease liabilities	16,147	11,519
Tax payables	32,377	33,031
Government grants	37,854	35,423
Bank borrowings	61,209	174,462
Financial liabilities at FVTPL	67,500	67,500
Consolidated liabilities	521,594	596,059

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

5. OTHER INCOME, EXPENSES, GAINS AND LOSSES

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Other income and expenses		
Government grants	10,875	17,099
Rental income	19,538	20,925
Depreciation of investment properties	(3,195)	(3,144)
Others	(3,604)	(1,642)
	23,614	33,238
Other gains and losses		
Losses on disposal of property, plant and equipment	(38)	(2)
Investment income from financial assets at FVTPL	27,667	9,998
Unrealised foreign exchange (losses) gains in financial assets at FVTPL	(3,558)	2,655
Gains (losses) from changes in fair value of financial assets at FVTPL	215	(1,765)
Other net foreign exchange losses	(12,514)	(4,238)
	11,772	6,648
	35,386	39,886

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Profit before tax has been arrived at after charging (crediting):		
Staff costs, including directors' remuneration		
Directors' fees	240	216
Salaries, wages, performance related bonus and other benefits	93,450	83,572
Share-based payment expenses	4,111	2,710
Retirement benefits scheme contributions	8,304	2,095
Less: capitalised in development costs	(16,299)	(12,363)
	89,806	76,230
Auditor's remuneration	893	918
Cost of inventories recognised as expenses	86,789	55,889
Depreciation of property, plant and equipment	15,961	14,293
Depreciation of right-of-use assets	7,222	7,943
Depreciation of investment properties	3,195	3,144
Amortisation of intangible assets	4,216	3,697
Gross rental income from investment properties	(19,538)	(20,925)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	3,195	3,144
	(16,343)	(17,781)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Current tax		
PRC Enterprise Income Tax	34,131	19,413
Hong Kong Profits Tax	3,542	—
Deferred tax credit		
Current period	(6,502)	(4,102)
	31,171	15,311

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

Lifetech Scientific Trading 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 that one major operating subsidiary in the PRC was qualified as High and New Technology Enterprise since 2009, and is entitled to a preferential income tax rate of 15%. This major operating subsidiary is a Hi-Tech enterprise for the periods ended 30 June 2021 and 2020.

For other PRC subsidiaries, their applicable income tax rates are 25% for the periods ended 30 June 2021 and 2020.

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

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim periods ended 30 June 2021 and 2020. The Directors did not recommend the payment of an interim dividend.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Earnings:		
Earnings for the purposes of basic and diluted earnings per share	204,407	98,950

	Six months ended 30 June	
	2021 '000 (Unaudited)	2020 '000 (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share (Note)	4,315,101	4,321,571
Effect of dilutive potential ordinary shares:		
Share options/Award Shares	264,714	12,117
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,579,815	4,333,688

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

10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 June 2021, the Group spent approximately RMB6,512,000 (corresponding period of 2020: approximately RMB9,955,000) for the acquisition of equipment and improvement of plant to update its manufacturing capabilities. In addition, the Group also incurred approximately RMB99,886,000 (corresponding period of 2020: approximately RMB24,449,000) for construction cost of the industrial park.

During the six months ended 30 June 2021, the Group incurred approximately RMB26,697,000 (corresponding period of 2020: approximately RMB23,555,000) of development expenditure for the development of structural heart diseases business and peripheral vascular diseases business, and incurred approximately RMB2,561,000 (corresponding period of 2020: nil) for the purchase of other intangible assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

11. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Total RMB'000
As at 1 January 2021			
Carrying amount (audited)	57,714	11,545	69,259
For the six months ended 30 June 2021			
Additions	—	10,862	10,862
Depreciation charge	(767)	(6,455)	(7,222)
As at 30 June 2021			
Carrying amount (unaudited)	56,947	15,952	72,899

During the six months ended 30 June 2021, the Group leases various offices, warehouses and staff dormitories. Lease contracts are entered into for fixed term of 1 to 4 years. Lease terms are negotiated on individual basis and contain different terms. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly enters into short-term leases for offices and staff dormitories. During the six months ended 30 June 2021, the short-term lease expenses were amounted to approximately RMB581,000.

In addition, lease liabilities of approximately RMB16,147,000 (31 December 2020: approximately RMB11,519,000) are recognised with related right-of-use assets of approximately RMB15,952,000 (31 December 2020: approximately RMB11,545,000) as at 30 June 2021. 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 2021, the Group has no lease commitments as lessee.

12. INVESTMENTS IN ASSOCIATES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Cost of investment in associates	19,467	15,551
Share of post-acquisition losses and other comprehensive expenses	(393)	(2,822)
	19,074	12,729

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

12. INVESTMENTS IN ASSOCIATES - continued

Details of each of the Group's associates at the end of the Reporting Period are as follow:

Name of entities	Country of incorporation	Place of business	Proportion of ownership interest held by the Group		Principle activities
			30 June 2021	31 December 2020	
Shenzhen High-Performance Medical Device National Research Institute Co., Ltd. (深圳高性能醫療器械國家研究院有限公司) ("Joint Laboratory") (Note i)	The PRC	The PRC	10.42%	10.42%	Developing medical devices
Shenzhen Lifetech Cardio Medical Electronics Co., Ltd (深圳市先健心康電子醫療有限公司) ("Shenzhen Cardio") (Note ii)	The PRC	The PRC	31.62%	32.45%	Developing, manufacturing and trading of medical devices
先健(深圳)人工心臟科學有限公司	The PRC	The PRC	34.00%	—	Developing, manufacturing and trading of medical devices

Notes:

- i The Group is able to exercise significant influence over Joint Laboratory because the Group is entitled to appoint one of the five directors under its Articles of Association.
- ii During the six months ended 30 June 2021, after a capital injection in Shenzhen Cardio from an independent third party, the Group's share holding on Shenzhen Cardio decreased from 32.45% to 31.62%.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Financial assets mandatorily measured at FVTPL:		
Unlisted participating shares	263,009	265,794
Unlisted fund	101,946	92,504
	364,955	358,298

On 10 May 2018, the Group entered into a subscription agreement with an independent third party pursuant to which the Group agreed to subscribe for participating shares representing of approximately 26.67% in ABG-Grail Limited, for an aggregate consideration of USD20.0 million (equivalent to approximately RMB127.3 million) in cash. ABG-Grail Limited principally invests in unlisted shares of a company established in the United States which engages in cancer research and early cancer detection.

On 25 May 2018, the Group also entered into a subscription agreement with certain independent third parties pursuant to which the Group agreed to subscribe for the partnership interest of approximately 9.69% in the Fund, as a limited partner, for an aggregate consideration of USD6.0 million (equivalent to approximately RMB38.2 million) in cash. The 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 19 January 2021, the Group also invested RMB10.0 million to subscribe for a share of the private securities investment fund managed by First Think Capital.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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14. TRADE RECEIVABLES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
1 - 90 days	90,502	76,019
91 - 180 days	21,391	18,098
181 - 365 days	6,163	11,468
Over 365 days	448	1,550
	118,504	107,135

15. TRADE PAYABLES

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

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
0 - 30 days	17,201	15,872
31 - 60 days	—	1,711
61 - 120 days	8,465	1,022
Over 120 days	2,827	109
	28,493	18,714

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16. GOVERNMENT GRANTS

	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Government grant related to assets:		
At the beginning of the period	35,423	44,728
Additions	5,000	3,450
Released to profit or loss	(2,569)	(11,113)
At the end of the period	37,854	37,065
	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Classified as:		
Current liabilities (included in other payables)	4,957	5,138
Non-current liabilities	32,897	30,285
	37,854	35,423

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 2021, the Group recognised income of approximately RMB10,875,000 (corresponding period of 2020: approximately RMB17,099,000) of which approximately RMB8,306,000 (corresponding period of 2020: approximately RMB5,986,000) is directly received and recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

17. BANK BORROWINGS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Secured bank borrowings (Note)	19,219	39,965
Unsecured bank borrowings	41,990	134,497
	61,209	174,462
The carrying amounts of the above borrowings are repayable*:		
Within one year	61,209	174,462
Amounts due within one year shown under current liabilities	61,209	174,462

Note: As at 30 June 2021, the Group's certain bank borrowings are secured by pledged bank deposit of RMB30,000,000 (31 December 2020: RMB108,000,000).

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The Group's borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	United States Dollars ("USD") RMB'000
As at 30 June 2021	61,209
As at 31 December 2020	124,462

18. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In 2020, Lifetech Shenzhen entered into a shareholders' agreement with certain independent third parties for issuance of shares of 元心科技 (深圳) 有限公司 ("元心科技"), a subsidiary held by Lifetech Shenzhen, with total considerations of RMB67,500,000.

Pursuant to the above mentioned shareholders' agreement, if 元心科技 is unable to meet certain specified conditions under agreed timeframe, the holders of these shares will have the right to require 元心科技 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 2021

19. SHARE CAPITAL

	Number of Shares	Amount USD	
Ordinary Shares			
Authorised:			
At 1 January 2020, 31 December 2020 and 30 June 2021 at USD0.00000125 each	<u>40,000,000,000</u>	<u>50,000</u>	
			Shown in the condensed consolidated financial statements as RMB'000
	Number of Shares	Amount USD	
Issued and fully paid:			
At 1 January 2020	4,320,033,200	5,401	35
Exercise of share options	19,645,200	25	—
Issue of new shares (Note)	<u>287,320,000</u>	<u>359</u>	<u>2</u>
At 31 December 2020	4,626,998,400	5,785	37
Exercise of share options	790,000	1	—
At 30 June 2021	<u>4,627,788,400</u>	<u>5,786</u>	<u>37</u>

Note:

Pursuant to a placing agreement dated 4 December 2020, a total of 287,320,000 new shares have been issued and allotted on 11 December 2020 at the placing price of HKD3.2368 (equivalent to RMB2.7312) per ordinary share to no less than six placees, who and whose respective ultimate beneficial owners are independent of the Company and the connected persons of the Company. These new shares were issued under a general mandate granted to the board of directors at the annual general meeting of the Company held on 28 May 2020 and rank pari passu with other shares in issue in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme

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

On 5 May 2015, an aggregate of 160,000,000 options was granted subject to certain vesting conditions pursuant to the Share Option 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 2021, 72,431,600 of such options granted pursuant to the Share Option Scheme remain outstanding and exercisable.

On 31 March 2021, an aggregate of 33,320,000 options was granted subject to certain vesting conditions pursuant to the Share Option 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) 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 2021:

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(a) 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 2020:

Types	Number of Shares subject to share options				Outstanding at 30 June 2020
	Outstanding at 1 January 2020	Granted during the period	Exercised during the period	Lapsed during the period	
Share options granted on 5 May 2015:					
Batch I	17,071,200	—	(2,105,600)	—	14,965,600
Batch II	18,012,800	—	(1,589,200)	—	16,423,600
Batch III	19,094,400	—	(968,400)	(1,600)	18,124,400
Batch IV	20,074,400	—	(1,112,400)	(1,600)	18,960,400
Batch V	18,962,400	—	(298,400)	(185,600)	18,478,400
Total	93,215,200	—	(6,074,000)	(188,800)	86,952,400
Exercisable as at 30 June 2020					<u>86,952,400</u>
Weighted average exercise price					<u>HKD1.464</u>

In respect of the share options exercised during the six months ended 30 June 2021, the closing market price (weighted average) immediately before the dates on which the share options exercised was HKD4.751 (corresponding period of 2020: HKD1.944).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

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

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

For the six months ended 30 June 2021, the Group recognised approximately RMB4,111,000 (corresponding period of 2020: approximately RMB2,710,000) share-based payment expenses in profit or loss. In addition, approximately RMB416,000 (corresponding period of 2020: approximately RMB585,000) was capitalised in development costs.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

20. SHARE-BASED PAYMENT TRANSACTIONS - *continued*

(b) Share Award Scheme

The Company adopted the Share Award Scheme on 28 December 2018 which was subsequently amended by an unanimous written resolution of the Board on 29 April 2019. The purpose of the 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 Share Award Scheme, the Board shall not make any further grant of Award Shares such that the total number of shares granted under the Share Award Scheme will exceed 10% of the total number of issued shares as at 28 December 2018. The maximum number of Award shares that may be granted under the Share Award Scheme is 433,629,120 shares.

Based on an unanimous written resolutions 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 Share Award Scheme but remained unsubscribed as at 30 June 2021. There were no vesting conditions attached to such Award Shares.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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21. OPERATING LEASES

The Group as lessor

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

Minimum lease payments receivable on leases are as follows:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Within one year	41,900	37,481
In the second to third years inclusive	24,910	30,083
In the third to fourth year inclusive	12,551	13,959
In the fourth to fifth year inclusive	10,285	9,943
In the fifth to sixth year inclusive	7,534	8,469
Over six years	5,721	8,593
	102,901	108,528

22. CAPITAL COMMITMENTS

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 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	189,361	283,505

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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23. RELATED PARTY DISCLOSURES

Compensation of key management personnel

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

Nature of transactions	Six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Short-term employee benefits	6,951	9,605
Post-employment benefits	93	108
	7,044	9,713

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