LEPU SCIENTECH MEDICAL TECHNOLOGY (SHANGHAI) CO., LTD.*

樂普心泰醫療科技(上海)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 2291)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The Board is pleased to announce the audited consolidated annual results of the Group for the year ended December 31, 2023, together with the comparative figures for the year ended December 31, 2022 as follows.

FINANCIAL HIGHLIGHTS

- Revenue increased by 31.6% from RMB247.7 million for the year ended December 31, 2022 to RMB325.9 million for the year ended December 31, 2023.
- Gross profit increased by 31.5% from RMB219.7 million for the year ended December 31, 2022 to RMB288.8 million for the year ended December 31, 2023.
- Research and development expenses increased by 14.3% from RMB53.9 million for the year ended December 31, 2022 to RMB61.6 million for the year ended December 31, 2023.
- Net other income of RMB18.4 million was recorded for the year ended December 31, 2023 as compared to a net other losses of RMB69.5 million for the year ended December 31, 2022.
- Profit attributable to owners of the Company of RMB151.5 million was recorded for the year ended December 31, 2023 as compared to a loss attributable to owners of the Company of RMB19.8 million for the year ended December 31, 2022.
- The non-IFRS adjusted net profit(1) increased by 55.4% from RMB111.1 million for the year ended December 31, 2022 to RMB172.6 million for the year ended December 31, 2023.
- The Board recommends the payment of a final dividend of RMB0.57 per Share (tax inclusive) for the year ended December 31, 2023.

Notes:

(1) Adjusted net profit which is unaudited, represents profit/(losses) for the year after adding back (i) listing expenses, net of tax; (ii) net foreign exchange losses from the retranslation of the USD-denominated redemption liabilities; (iii) interest expense on redemption liabilities; and (iv) share-based payment expenses. We eliminate the impacts of these items that our management do not consider to be indicative of our operating performance, as they are either non-cash items or non-recurring expenses.

(2) Certain amounts and percentage figures included in this announcement have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

BUSINESS REVIEW

As a pioneer and domestic leading supplier in the structural heart disease interventional medical devices industry in China, we have been focusing on the research and development, manufacture and commercialization of structural heart disease interventional medical devices. We are successfully practicing degradability based on the proven operations of traditional metal medical devices, exploring the frontier fields of the atrial septal puncture, cardiac mechanical circulatory support and other medical devices, and committed to providing safe, effective, innovative and comprehensive medical solutions.

As of the date of this announcement, we had a total of 22 marketed occluders and accessory products, 9 products under registration review and preparation for registration, and 24 product candidates in various stages of research and development such as occluders, heart valves and procedural accessories and mechanical circulatory support. The following chart summarizes the development status of our product portfolio up to the date of this announcement:

Product		Pre-clinical	Clinical Trial	Registration	Commercialization
Atrial septal defect ("**ASD**") occluder	MemoPart® ASD occluder (Double-rivet)				Commercialized
	MemoPart® ASD occluder (Single-rivet)				Commercialized
	MemoCarna® Oxide coating ASD occluder with single-rivet				Commercialized
				Preparation of CE registration materials	
	MemoSorb® Biodegradable ASD occluder ★			NMPA registration review in progress	
Ventricular septal defect ("**VSD**") occluder	MemoPart® VSD Occluder (Double-rivet)				Commercialized
	MemoPart® VSD Occluder (Single-rivet)				Commercialized
	MemoCarna® Oxide coating VSD occluder with single-rivet				Commercialized
				Preparation of CE registration materials	
	MemoSorb® full-degradable occluder systems ★				Commercialized
		Preparation for initiating of overseas clinical trials			

Product		Pre-clinical	Clinical Trial	Registration	Commercialization
Patent ductus arteriosus ("**PDA**") occluder	MemoPart® PDA occluder (Double-rivet)				Commercialized
	MemoPart® PDA occluder (Single-rivet)				Commercialized
	MemoCarna® Oxide coating PDA occluder				Commercialized
					CE registration review in progress
Patent foramen ovale ("**PFO**") occluder	MemoPart® PFO Occluder (Double-rivet/Single-rivet)				Commercialized
	MemoSorb® Biodegradable PFO occluder ★				Commercialized
	NeoSorb® Bioabsorbable PFO Occluder				Mass clinical
Left atrial appendage ("**LAA**") occluder	MemoLefort® LAA occluder system				Commercialized
	Bio-Lefort® Biodegradable LAA occluder ★				Mass clinical
Aortic and peripheral occluders	Biodegradable aortic occluder	Design stage			
	Embolization occluder	Design stage			
	Peripheral hydrogel spring coil	Design stage			
Aortic valve products	ScienCrown® Transcatheter aortic valve replacement ("**TAVR**") system ★				NMPA registration review in progress
					CE animal tests
	ScienMelon® Artificial heart valve with polymer leaflets for transcatheter implantation ★				Animal test
	ScienChute® Transcatheter aortic valve stenosis therapy system	Design stage			
	ScienChute® Pulsed acoustical generator	Design stage			
	Transcatheter aortic valve system (regurgitation indication TAVR)				Animal test
Mitral valve products	MemoChord® Transapical mitral valve repair system (chordal) ("**TMVCRS**")				FIM
	MemoClip-A® Transapical mitral valve clip repair ("**TMVr-A**") system ★				Mass clinical
	MemoClip-F® Transfemoral mitral valve clip repair ("**TMVr-F**") system				Clinical preparation stage
	Transcatheter mitral valve replacement ("**TMVR**") system				Animal test

Product		Pre-clinical	Clinical Trial	Registration	Commercialization
Atrial septal puncture and procedural accessories	RF-Lance® Radiofrequency puncture devices ★	NMPA registration review in progress			
	RF-Lance® Disposable radiofrequency atrial septal puncture needles ★	NMPA registration review in progress			
	Disposable atrial septal puncture system	NMPA registration review in progress			
	MemoPart® Interventional delivery system	Commercialized			
	GuiBend® Integrated interventional delivery system	Commercialized			
		CE registration review in progress			
	GuiFinder® Occluder delivery system	Commercialized			
	GuiFlex® Integrated interventional delivery sheath	Commercialized			
	Gruiser® Interventional delivery system	Commercialized			
	G-Cruiser® Interventional delivery system	Commercialized			
	MemoPart® Snare	Commercialized			
	Multiple-loop Snare	Commercialized			
	SimoMelon® Balloon dilatation catheter for aortic valve ★	NMPA registration review in progress			
	Disposable introducing sheath	Commercialized			
	Thrombus protection device	Clinical preparation stage			
	StarCross® Disposable delivery sheath	Preparation for registration materials			
	Vascular closure device system	Animal test			
	Transvalvular guide wires	NMPA registration review in progress			
	Super stiff guidewire	Preparation for registration materials			

Product		Pre-clinical	Clinical Trial	Registration	Commercialization
Interatrial shunt device	Interatrial shunt device I	FIM			
	Interatrial shunt device II (Biodegradable)	Animal test			
	FireyDeva® Interatrial shunt device III (Radiofrequency ablation shunt device)	Animal test			
	FireyDeva® Radiofrequency ablation device (Device)	Animal test			
Mechanical circulatory support products	Transcatheter left ventricular support device ★	Animal test			
	Coronary protection left ventricular support system ★	Design stage			
	Small diameter transcatheter left ventricular support system ★	Design stage			
Hypertensive device treatment products	Pulmonary artery radiofrequency ablation catheter	Design stage			
	Ultrasonic greater splanchnic nerve ablation catheter	Animal test			

Note:

★: Key projects of the Company

The business segments of the Company maintained a sound development trend, achieving stable growth in its revenue. For the year ended December 31, 2023, the Company achieved revenue of RMB325.9 million, representing a year-on-year increase of 31.6% from the year ended December 31, 2022; profit attributable to owners of the Company of RMB151.5 million for the year ended December 31, 2023; non-IFRS adjusted net profit of RMB172.6 million for the year ended December 31, 2023, representing a year-on-year increase of 55.4% from the year ended December 31, 2022; net cash flow generated from operating activities of RMB164.3 million for the year ended December 31, 2023, representing a year-on-year increase of 150.7% from the year ended December 31, 2022. As of December 31, 2023, the total assets of the Group were RMB1,986.5 million, representing an increase of 9.8% from the beginning of the year, and the net assets were RMB1,926.7 million, representing an increase of 10.4% from the beginning of the year.

CHD Occluder Products

As at the date of this announcement, the Group owned 10 commercially available CHD occluder products, among which, MemoCarna® III oxide coating single-rivet occluder series products have fast become the backbone of the CHD occluder products business after its approval for marketing in 2020. The MemoSorb® IV fully-degradable occluder systems have been also rapidly commercialized and become the Group's flagship product in the CHD field upon its approval for marketing in 2022. Leveraging on the long-term technology accumulation, the rapid growth trend of the Group's business has been established through technology upgrading, products iteration and original technology. This is the cornerstone for us to maintain our leading position in the field of CHD interventional therapy and to continue to drive.

In line with our philosophy of "No Implantation for Intervention", the Group continued to promote the research and development of biodegradable technology. Our fourth generation MemoSorb® biodegradable ASD occluder product candidate has completed its clinical trial stage, registration application of which has been submitted to the NMPA for approval in June 2023 and which is expected to receive the approval from the NMPA and be commercialized in the second quarter of 2024.

PFO and LAA Occluder Products

Our first generation cardioembolic stroke prevention products, being LAA and PFO occluder products, were successfully commercialized in 2020 and 2012, respectively.

Our second generation cardioembolic stroke prevention product candidates have applied our biodegradable technology creatively, of which, the second generation MemoSorb® biodegradable PFO occluder product was approved by the NMPA in September 2023. The PFO surgeries have a larger market and better market prospects coupled with the Company's innovative biodegradable material technology, these products have gained widespread attention and popularity in the market upon their launch, and have achieved excellent sales results in the early stage of product commercialization, thus becoming another blockbuster product of the Group in the implementation of the philosophy of "No Implantation for Intervention". The Company's another important application of the biodegradation technology, Bio-Lefort® biodegradable LAA occluder product candidate has successfully completed its pre-clinical type inspection stage and animal test stage as planned and officially entered the stage of multi-center clinical trial enrollment.

Heart Valve Product Candidates

The Company's products in heart valve field mainly covered aortic valve and mitral valve products. Our ScienCrown® TAVR system has been successfully completed its clinical trial enrolment and follow-up as planned and we have submitted a registration application to the NMPA at the end of 2023. ScienCrown® valve has distinct structural differences from the previously marketed self-expanding valve and balloon dilation valve. As a short stent self-expanding valve, it is featured with smooth pre-bending over the arch, release coaxial, stable expansion, good support and 100% recovery under working condition of artificial valve, etc., which could address the pain points of clinical demand in an optimal manner and greatly shorten the surgeon's learning curve, thus bringing a new standard of care to patients and providing a better clinical experience in valve performance and prognosis. The product is expected to be approved for marketing in the fourth quarter of 2024. After product is approved for marketing, through differentiated competition method, the Company expects that it will bring safer and better products to clinical-end and also generate greater revenue to the Company, which will greatly change the competitive layout of the Company in the field of structural heart disease. In addition, we are developing a transcatheter implantable aortic valve system for patients with simple aortic regurgitation. The product adds a clamped positioning design to the valve based on the prototype of ScienCrown® TAVR system which is suitable for dual indications of valvular insufficiency and stenosis, and adds a bending function based on the pre-bending feature of the original delivery system to improve operational performance of clamped positioning design. The product has been tested for physical performance, hydrodynamic performance and simulation performance, and animal tests of the product are going on. It planned to carry out clinical trials in 2025. Our transapical mitral valve clip system is currently in the final stage of clinical trial enrollment with satisfactory follow-up results. We will accelerate the progress of subsequent clinical trial enrolment and we plan to submit a registration

application to the NMPA in the first half of 2024. We conducted independent innovation and optimization in the product design and also drew on the extensive experience from clinicians in respect of transcatheter mitral valve clip system, enabling the design and performance of the product much more acclimated to China patients and the usage habits of China physicians. It is currently in the pre-clinical preparation stage and is about to initiate the clinical trials. Our self-developed TMVR system has completed the implantation in the animal and the follow-up of 6 months after surgery, with satisfactory results, and it is about to progress into the stage of type inspection simultaneously.

Mechanical Circulatory Support Products

The Company has expanded into the field of mechanical circulatory support ("**MCS**") devices, which are designed to provide temporary or long-term support to patients requiring cardiac assisted power. The portfolio of our MCS device product line covers both short- and long-term products, which are designed to assist or replace the pumping function of the ventricles. The portfolio of our MCS device product line includes transcatheter ventricular support system, high-risk percutaneous coronary interventions ("**PCI**") ventricular support system, expandable trochanteric ventricular support system and wholeheart support system. In particular, the transcatheter left ventricular support system suitable for left ventricular support is in the pre-clinical type inspection stage, and animal tests are going on; small diameter transcatheter left ventricular support system and high-risk PCI coronary protection left ventricular support system for patients requiring low-flow support or high-risk PCI patients will progress into the stage of type inspection in the near future. The Company is an early pioneer in the field of MCS in the PRC, which is still emerging in the PRC with a bright market prospect. With the Company's profound research and development capability and technology accumulation in active medical device field, the Company is confident that it will become one of the most core and valuable participants in the field, and will continue to provide cardiac patients with the most optimal medical solutions.

Pathway Products

Pathway products mainly include CHD occluder products and procedural accessories for heart valve, and also include atrial septal radiofrequency puncture product candidates and others.

The atrial septal radiofrequency puncture product has been filed for registration in the PRC in 2023 and is expected to be approved for marketing in the first half of 2024. The approval of the product will further enrich the Company's product lines, making the Company one of the major suppliers with the most comprehensive product lines in the field of structural heart disease.

Occluders and accessory products are an important component parts of occlusion surgery. As at the date of this announcement, the Group has owned 9 commercially available occluder related procedural accessories, and in line with the increasing commercialization level of occluder products, the accessory products have also achieved considerable revenue. Our Snare II product has obtained a registration certificate and list for sale in the second half of 2023.

The Company owned 6 types of valve related procedural accessories, including, among others, balloon dilatation catheter for aortic valve, super stiff guidewire, thrombus protection device and vascular closure device system. In particular, the balloon dilatation catheter for aortic valve has been filed for registration to the NMPA at the end of 2023, and is expected to be approved for marketing in the second half of 2024; the super stiff guidewire has obtained the type inspection and biological reports, is in the process of preparation of registration information, will be submitted for registration in the second quarter of 2024 and is expected to be approved for marketing at the end of 2024; we have completed the product's R&D design and inspection for vascular closure device system with innovative design structure, which can reduce vascular complications and provide physicians with excellent ease-to-use experience. It is currently in the stage of animal tests, and plans to be filed for registration in the second half of 2024.

Hypertensive Device Treatment Products

So far, pulmonary hypertension ("**PH**") is a progressive and incurable disease caused by pulmonary vascular structural or functional changes as a result of a variety of heterogeneous diseases (etiology) and different pathogenesis which will cause the clinical and pathophysiological syndromes of pulmonary vascular resistance and higher pulmonary arterial pressure and patients who have severe consequences will develop into right heart failure and even death. PH is a common disease that seriously jeopardizes the lives and health of patients, the survival time of patients with PH can be significantly improved through standardized etiological treatments and aggressive targeted drug therapy. The Company has completed the development and design of pulmonary artery radiofrequency ablation catheter, and it is expected to carry out animal tests and type inspection in the second half of 2024. In addition, in terms of device for the treatment of refractory hypertension, we also have developed an ultrasonic greater splanchnic nerve ablation catheter product. Currently, the Company has completed R&D and design of the product and animal tests are going on. It is expected to carry out type inspection in the third quarter of 2024.

OUTLOOK

Looking forward, we will continue to be committed to provide safe, effective, innovative and comprehensive medical solutions for patients with structural heart disease and cardiac circulatory disorder by adhering to the corporate mission of "shape better lives with heartfelt care" (由心關懷, 成就新生).

We will continue to develop new technologies and focus on the core technologies and product development targeting structural heart diseases to enrich our product portfolio to cover a full range of treatment options for various field of structural heart disease. Furthermore, we will continue to promote technology in a number of aspects, including design and concept innovation, material innovation, structural design innovation, production process optimization, to further enhance the innovation, functionality and reliability of our products. Meanwhile, we firmly believe that biodegradable technology is one of the important technology applications for medical device products in the future, and will greatly drive the overall upgrade and transformation of the medical device industry as widely applied to our occluder product and other product candidates, which positions us well to capitalize on the significant market opportunities, to further explore existing market and expand into incremental market.

In the CHD interventional devices field, we will leverage our established market advantages to continue to increase the speed of iteration of our innovative products and drive rapid business growth. Meanwhile, we will also continue to promote the research and development process of our biodegradable occluder product candidates.

In the cardioembolic stroke prevention field, we will explore the research and development of new PFO occlude products and LAA occlude products, while we will continue to promote the commercialization of our marketed products. In particular, the biodegradable PFO product has achieved satisfactory sales results in a relatively short period after approved for marketing in 2023. The Company will further enhance interaction and communication with surgeons, strengthen marketing promotion, and endeavor to broaden its sales channels in terms of depth and breadth, with a view to further opening up the market for the product in 2024, so as to enable more patients to enjoy the quality experience and convenience brought by innovative medical device products through surgical treatments.We believe, upon application of the biodegradable technology to such field, we are well positioned to capitalize on and share the significant potential in the fast-growing and low-penetration domestic market and enable more doctors and patients to enjoy our innovative products and quality services by leveraging our early-mover advantages, excellent product features, and well-established sales channels, which will put us in a superior market competitive position in such field.

In the valve stenosis and reflux therapy field, we will rely on our existing technology platform for valve products, further consolidate and strengthen our technological advantages, continue to promote concept of "Tool Box", and focus on the development of valve products with great medical demand and promising market while covering the full product line of valves. Among them, we will accelerate the progress of R&D of the TMVr-F system and the TMVR system for the treatment of mitral valve regurgitation disease, in order to achieve full coverage of mitral valve disease treatment and address the increasing clinical demand from patients and physicians. We will accelerate the advancement of iterative new products based on ScienCrown® transcatheter aortic valve system for Conformité Européenne ("**CE**") Certificate registration clinical trials, the special dry valve of such iterative products, upon processing by adopting the self-developed technology, has the advantages of stronger anti-calcification ability, better hemodynamic effect and longer service life. In addition, we will accelerate the research and development of the surgically implantable sutureless heart valve, which is already in type inspections and animal tests stage. We are also developing a transcatheter implantable aortic valve system for patients with simple aortic regurgitation. These two aortic valve products complement the ScienCrown® transcatheter aortic valve replacement system to provide optimal treatment for patients with different types of TAVR disease. Our artificial heart valve with polymer leaflets for transcatheter implantation uses durable and stable polymer materials instead of pericardium material to make leaflets to further improve the durability and biocompatibility of the artificial heart valve. Currently, we have completed the follow-ups and information collection within six months after implantation and surgery in animals, which presented promising results. In-vitro durability tests have been completed for more than 200 million times. If the testing targets of valve are in good condition, such products will progress into the stage of type inspection soon.

Cardiac mechanical circulatory support is a life support technology, and has become an important "bridge" treatment for patients with acute cardiac event and end-stage heart failure after decades of development, which also has more extensive clinical application. It is estimated that 13.7 million patients in China and more than 64 million patients globally suffered from cardiac underpower, and about 50% of them will die within five years after diagnosis. The global market scale of MCS devices is expected to grow at a compound annual growth rate of 10% or above from 2021 to 2028, with a market value expected to reach USD3.4 billion in 2025. The Company, as a cardiovascular intervention medical devices company with strong spirit of technological innovation, has been dedicated to expanding into the blue ocean market of MCS and protective PCI. The Company is developing a series of product candidates, which may help patients, after marketing, improve their quality of life and survival rate. Meanwhile, as a multidisciplinary composite technology, such products will fully demonstrate our technological accumulation, ensure that the Company continues to seize the technological highland in medical devices field, and ensure the progressive development of the Company's future product lines and the sustainable development of the Company's business.

In the structural cardiology pathway products field, we are developing and producing a number of products, and two pathway products have obtained certificates during the Reporting Period. In particular, the Company is one of the early developers of our vascular closure device candidates, and there is no vascular closure device approved for marketing in the PRC. It is estimated that the market size of vascular closure devices in the PRC will have a greater growth, with aortic valve intervention technology being the most mature market development and the largest number of patients being those with mitral regurgitation. The market for mitral valve and tricuspid valve interventions will gradually expand, and the demand for large-caliber vascular closure devices will also increase in line with the technology development. The Company will accelerate the research and development of vascular occluder device products to meet and lead the market demand.

The transseptal procedures is one of the key techniques in cardiac intervention therapy. Compared with traditional puncture techniques, radiofrequency puncture has higher success rate and safety, and the learning curve of surgeons is short, so such products are expected to quickly complete the replacement of mechanical needles. Currently, the transseptal procedures has been used for mitral valve repair, LAA occluder, and other procedures to obtain left heart access by transfemoral access. According to the statistics, there are more than 300,000 surgeries using puncture techniques in the United States every year, and the potential treatment population in China is more than 10 million with an extra low penetration rate. The domestic market for such surgery has yet to be further developed with a considerable market prospect in the future. At present, no radiofrequency puncture products are approved for marketing in China, and the application for registration as well as research and development of our radiofrequency atrial septal puncture system of the Company are in the advanced position. It is expected to be approved for marketing in the first half of 2024, which will enable the Company to enter into the new market in the field of structural heart disease at a rapid pace. Such product is expected to win a new blue ocean market for the Company and become a pillar product in the product lines of the pathway products.

We will strengthen our marketing team building, explore potential marketing channels, continue to expand our sales network in China and continue to build our good reputation and word-of-mouth among doctors and patients. We will continue to strive to promote product brand awareness and influence in the industry and academia, to solidify and strengthen our communication, exchange and interaction with research institutions, hospitals, doctors and KOLs and obtain valuable feedback from them, and will collect and dive deep into more market data and information, continuously improve and optimize the product design and production process and enhance the service capability of the sales terminal, so as to better serve the doctors and patients with better products and more considerate sales service capability, and strive to become one of the important leaders in marketing and sales service in the PRC.

In terms of the overseas business, we will actively expand our overseas sales channels with global insight. With a rigorous, pragmatic and sincere attitude and way of working, we will endeavor to explore the market potential of the existing products and increase the market penetration of the existing products, and build up a good international reputation of our products, to enhance recognition of Chinese brands and made in China in the global market. We will keep abreast with the development trend, clinical demand and market competition layout in overseas markets in a timely manner, and formulate a plan for overseas clinical trial and registration in a reasonable manner, to advance the commercialization process of innovative products such as biodegradable occluder series and valve series in overseas markets in due course, which is conducive to a better and sustainable development of the Company's overseas business so as to better implement the Company's internationalization strategy.

FINANCIAL REVIEW

Revenue

Our revenue is mainly derived from the sales of medical devices through distributors and direct sales.

Our revenue increased by 31.6% from RMB247.7 million for the year ended December 31, 2022 to RMB325.9 million for the year ended December 31, 2023. The following table sets forth a breakdown of our revenues by major products for the years ended December 31, 2022 and 2023.

	Year ended 31 December				
	2023		2022		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
CHD occluder products	**230,199**	**70.6**	182,661	73.7	26.0
– ASD occluder products	**174,303**	**53.5**	136,169	55.0	28.0
– VSD occluder products	**34,459**	**10.6**	28,540	11.5	20.7
– PDA occluder products	**21,437**	**6.5**	17,952	7.2	19.4
Pathway products	**66,550**	**20.4**	53,709	21.7	23.9
– Interventional delivery systems	**45,449**	**13.9**	35,808	14.5	26.9
– Snares	**21,101**	**6.5**	17,901	7.2	17.9
PFO and LAA occlude products	**28,980**	**8.9**	11,059	4.5	162.0
– PFO occlude products	**22,728**	**7.0**	5,605	2.3	305.5
– LAA occlude products	**6,252**	**1.9**	5,454	2.2	14.6
Other products	**167**	**0.1**	241	0.1	-30.7
Total	**325,896**	**100.0**	247,670	100.0	31.6

CHD occulder products

For the years ended December 31, 2022 and 2023, a majority of our revenue was generated from sales of CHD occluder products. Revenue generated from sales of CHD occluder products increased by 26.0% from RMB182.7 million (representing 73.8% of sales revenue in the corresponding period) for the year ended December 31, 2022 to RMB230.2 million (representing 70.6% of sales revenue in the corresponding period) for the year ended December 31, 2023, as we continued to grow our business. Revenue generated from sales of CHD occluder products increased significantly, which was primarily attributable to the increased sales volume of our oxide-coated occluder products as they received broad market recognition, such products primarily include MemoCarna® ASD Occluder III, MemoCarna® PDA Occluder III and MemoCarna® VSD Occluder III. In addition, the sales revenue from fully biodegradable occluder, i.e. MemoSorb® VSD Occluder IV, also experienced substantial increase.

Among our CHD occluder products, revenue generated from sales of ASD occluder products increased by 28.0% from RMB136.2 million for the year ended December 31, 2022 to RMB174.3 million for the year ended December 31, 2023, representing 55.0% and 53.5% of our revenue in the corresponding periods, respectively. Revenue generated from sales of ASD occluder products increased, which was primarily attributable to an increase in revenue generated from sales of MemoCarna® ASD Occluder III. Revenue generated from sales of VSD occluder products increased by 20.7% from RMB28.5 million for the year ended December 31, 2022 to RMB34.5 million for the year ended December 31, 2023, representing 11.5% and 10.6% of our revenue in the corresponding periods, respectively. Revenue generated from sales of PDA occluder products increased by 19.4% from RMB18.0 million for the year ended December 31, 2022 to RMB21.4 million for the year ended December 31, 2023, representing 7.2% and 6.6% of our revenue in the corresponding periods, respectively.

Pathway products

Revenue generated from sales of pathway products increased by 23.9% from RMB53.7 million for the year ended December 31, 2022 to RMB66.6 million for the year ended December 31, 2023, respectively, representing 21.7% and 20.4% of our revenue in the corresponding periods, respectively. Our pathway products primarily include interventional delivery systems and snares mainly related to CHD occluder products. Interventional delivery system is the largest source of our revenue generated from sales of pathway products. We also intend to gradually introduced other occluder related procedural accessories and heart valve related procedural accessories. The increase was primarily attributable to an increase in the sales volume of our various occluder products, and the sales volume of our related procedural accessories increased accordingly.

PFO and LAA occluder products

Revenue generated from sales of PFO and LAA occluder products increased by 162.0% from RMB11.1 million for the year ended December 31, 2022 to RMB29.0 million for the year ended December 31, 2023, representing 4.5% and 8.9% of our revenue in the corresponding periods, respectively. The significant increase in revenue of these products was primarily attributable to the successful market entry of our new product biodegradable PFO occluders, resulting in sales revenue of RMB14.6 million for the year ended December 31, 2023.

Other products

For the years ended December 31, 2022 and 2023, we generated a small portion of our revenue from sales of other products, primarily including vascular plug and products with relatively low applicability or importance. For the year ended December 31, 2022 and 2023, revenue generated from sales of other products both accounted for 0.1% of our revenue, respectively.

Cost of sales

Our cost of sales increased by 32.5% from RMB28.0 million for the year ended December 31, 2022 to RMB37.1 million for the year ended December 31, 2023. Our cost of sales primarily consisted of (i) raw materials and consumables; (ii) employee benefit expense; (iii) amortization of intangible assets; (iv) depreciation of property, plant and equipment; (v) transportation costs; (vi) utilities and office expenses; and (vii) others.

The following table sets forth our cost of sales by nature in absolute amounts and as percentages of our total cost of sales for the years ended December 31, 2023 and 2022.

	For the year ended December 31,				
	2023		2022		Change
	RMB'000	*%*	*RMB'000*	*%*	*%*
Raw materials and consumables	**14,608**	**39.4**	8,086	28.9	80.7
Employee benefit expense	**10,856**	**29.3**	9,217	32.9	17.8
Amortization of intangible assets	**7,448**	**20.1**	6,852	24.5	8.7
Depreciation of property, plant and equipment	**1,595**	**4.3**	1,461	5.2	9.2
Transportation costs	**1,220**	**3.3**	1,336	4.8	-8.7
Utilities and office expenses	**994**	**2.7**	672	2.4	47.9
Others	**364**	**1.0**	360	1.3	1.1
Total	**37,085**	**100.0**	27,984	100.0	32.5

Our raw materials and consumables costs mainly represent nitinol products and sheathes and other metal and plastic components used during the manufacturing process, which increased by 80.7% from RMB8.1 million for the year ended December 31, 2022 to RMB14.6 million for the year ended December 31, 2023, which was primarily attributable to the general increase in sales volume of various products in 2023, especially the significant increase of accessories (pathway products) and oxide-coated products which have relevant high material costs and other new series products, resulting the significant increase of relevant material costs in 2023.

Our employee benefit expense increased by 17.8% from RMB9.2 million for the year ended December 31, 2022 to RMB10.9 million for the year ended December 31, 2023, which was primarily attributable to the increase in output and sales volume of various products in 2023, resulting in an increase in our production employee benefit expense.

Our amortization of intangible assets increased by 8.7% from RMB6.9 million for the year ended December 31, 2022 to RMB7.4 million for the year ended December 31, 2023, which was primarily attributable to the commencement of amortization on the patents and medical device registration certificates of certain products as they obtained their respective NMPA approvals, resulting in an increase in our amortization of intangible assets.

Our depreciation of property, plant and equipment increased by 9.2% from RMB1.5 million for the year ended December 31, 2022 to RMB1.6 million for the year ended December 31, 2023, which was primarily attributable to the fact that the Group acquired certain new equipment in line with the expansion of production and sale scale, resulting in an increase in our depreciation costs.

Our transportation costs decreased by 8.7% from RMB1.3 million for the year ended December 31, 2022 to RMB1.2 million for the year ended December 31, 2023, which was primarily attributable to a change in the Group's logistics supplier which offered lower prices.

Our utilities and office expenses increased by 47.9% from RMB0.7 million for the year ended December 31, 2022 to RMB1.0 million for the year ended December 31, 2023, which was primarily attributable to the concessions of certain property rents and property management fees due to the regional resurgence of COVID-19 in the first half of 2022, and no such concessions and these charges were back to normal levels in 2023.

Our other cost of sales primarily includes testing fees for production environment and fees for sterilization, which remained stable at RMB0.4 million for the years ended December 31, 2022 and 2023.

Gross profit and gross profit margin

Our gross profit increased by 31.5% from RMB219.7 million for the year ended December 31, 2022 to RMB288.8 million for the year ended December 31, 2023. The increase in our gross profit was in line with the growth in our overall revenue. Our gross profit margin remained basically stable at 88.7% and 88.6% for the year ended December 31, 2022 and 2023, respectively.

Distribution expenses

Our distribution expenses primarily consisted of (i) employee benefits expense for our sales and marketing staff; (ii) marketing fees; and (iii) travel expenses. Our distribution expenses increased by 29.6% from RMB38.7 million for the year ended December 31, 2022 to RMB50.1 million for the year ended December 31, 2023, which was primarily attributable to (i) the regional resurgence of COVID-19 in 2022, which was largely under control in 2023, and resulting an increase in marketing fees of RMB3.6 million and an increase in travel expenses of RMB2.9 million due to an increase in offline market research, marketing promotion and travel activities, and (ii) an increase of RMB2.4 million in employee benefits expense.

General and administrative expenses

Our general and administrative expenses primarily consisted of (i) employee benefit expense for our administrative staff; (ii) depreciation and amortization; (iii) office and miscellaneous expenses;(iv) the listing expenses; and (v) professional service fee. Our general and administrative expenses decreased by 20.2% from RMB53.7 million for the year ended December 31, 2022 to RMB42.8 million for the year ended December 31, 2023, which was primarily attributable to a decrease in listing expenses of RMB20.4 million, partially offset by an increase in professional service fee of RMB8.7 million, which was mainly due to related expenses reflected in listing expenses in the corresponding period last year.

Research and development expenses

Our research and development expenses consisted of (i) employee benefit expense for our research and development staff; (ii) products testing, pre-clinical trial and animals studies fees; (iii) raw materials and consumables expenses; (iv) depreciation;(v) utilities and office expenses; and (vi) other expenses. Our research and development expenses increased by 14.3% from RMB53.9 million for the year ended December 31, 2022 to RMB61.6 million for the year ended December 31, 2023, which was primarily attributable to an increase in products testing, pre-clinical trial and animals studies fees of RMB5.7 million, which was due to the relatively large number of R&D projects for type inspection or animal studies in 2023 as compared with 2022; and an increase in other expenses of RMB3.3 million, which was mainly attributable to an increase in R&D-related travel expenses and training expenses in 2023 due to the regional resurgence of COVID-19 in 2022, which was largely under effective control in 2023, partially offset by a decrease in raw materials and consumables expenses of RMB1.5 million.

Net reversal/(provision) for impairment losses on financial assets

Our net provision for impairment losses on financial assets primarily represented impairment loss provision for the period on trade receivable and other receivables. We had net reversal of impairment losses on financial assets of RMB6.0 million for the year ended December 31, 2023, and net provision for impairment losses on financial assets of RMB5.7 million for the year ended December 31, 2022, primarily due to less provision for credit losses recognised on trade receivables as a result of the significant improvement in the collection of our trade receivables in 2023 (while the collection was much impacted by the COVID-19 situation in 2022).

Net other income and losses

Our other income and losses primarily consisted of: (i) investment income on wealth management products; (ii) government grants; (iii) rental income from investment properties; (iv) exchange gains or losses; and (v) gains or losses from fair value changes of financial assets. We had net other income of RMB18.4 million for the year ended December 31, 2023, and a net other losses of RMB69.5 million for the year ended December 31, 2022, which was primarily attributable to a decrease in net foreign exchange losses recognized of RMB76.4 million (primarily in relation to the retranslation of redemption liabilities denominated in US$ in 2022), an increase in government grants of RMB7.6 million and a decrease in fair value losses on financial assets of RMB4.9 million.

Net finance income/(costs)

Our net finance income/(costs) primarily consisted of (i) bank interest income; (ii) interest expense on lease liabilities; and (iii) interest expense on redemption liabilities. We have net finance costs of RMB13.3 million for the year ended December 31, 2022 and net finance income of RMB14.6 million for the year ended December 31, 2023, which was primarily attributable to the recognition of interest expense on redemption liabilities of RMB18.7 million in 2022, and no relevant interest expense on redemption liabilities for the Reporting Period as the Company was successfully listed on the Stock Exchange where the preferred rights granted to the Pre-IPO Investors were lapsed and an increase in bank interest income of RMB9.2 million primarily due to the increase in the Group's cash and cash equivalents and fixed deposits.

Income tax expenses

Our income tax expenses increased by 355.2% from RMB4.8 million for the year ended December 31, 2022 to RMB21.8 million for the year ended December 31, 2023, which was primarily attributable to the increase in taxable profit.

Net profit/(loss) for the year

As a result of the foregoing, we recorded a net profit of RMB151.5 million for the year ended December 31, 2023, as compared to a net loss of RMB19.8 million for the year ended December 31, 2022.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The primary uses of cash are to fund the daily operations of the business of the Group. For the year ended December 31, 2023, the Group principally used cash generated from its operations, financing activities and net proceeds from the Global Offering to meet its demand of capital expenditures and working capital. Going forward, the Company believes that its liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, bank loans and other borrowings, and other funds raised from the capital markets from time to time. As of December 31, 2023, the Group had not used any financial instruments for hedging purposes.

Cash flows

As of December 31, 2023, our cash and cash equivalents were denominated in RMB, HK dollar, USD and Euro dollars. Our total cash and cash equivalents increased by 28.3% from RMB944.5 million as of December 31, 2022 to RMB1,212.0 million as of December 31, 2023, which was primarily attributable to the increase in net cash generated from operating activities of RMB98.7 million and the increase in net cash generated from investing activities of RMB517.3 million, partially offset by the decrease in net cash generated from financing activities of RMB579.9 million, a combination of which caused a net increase in cash and cash equivalents at the end of the Reporting Period.

Borrowings

As of December 31, 2023 and 2022, we had no outstanding balance of borrowings or unutilized banking facilities.

Net current assets

As of December 31, 2022 and 2023, our net current assets amounted to RMB1,265.9 million and RMB1,356.4 million, respectively. Our net current assets position as of December 31, 2022 and 2023 was mainly attributable to our inventories, prepayments and other receivables, trade receivables, financial assets at fair value through profit or loss, short-term bank deposits, restricted cash and cash and cash equivalents, partially offset by our trade and other payables, contract liabilities, current income tax liabilities and lease liabilities due within one year. The increase in our net current assets was primarily attributable to an increase in bank deposits with initial term of over three months of RMB54.7 million and an increase in cash and cash equivalents balance of RMB267.5 million, partially offset by a decrease in financial assets at fair value through profit or loss of RMB258.1 million.

Material Acquisitions and Disposals and Significant Investments

We did not have any material acquisitions and disposals and significant investments during the year ended December 31, 2023.

Pledge of Assets

As of December 31, 2023, we did not pledge any of our assets.

Future Plans for Material Investments or Capital Asset

Save as disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus and "Use of Net Proceeds from Listing" in this announcement, we did not have detailed future plans for material investments or capital assets.

Capital Expenditure

For the year ended December 31, 2023, our total capital expenditure was approximately RMB86.7 million, compared to approximately RMB83.4 million for the year ended December 31, 2022. Our capital expenditure primarily included our purchase of equipment, purchase of intangible assets and payment for research and development expenses of capitalization. We funded these expenditures with cash generated from our operations and financing activities.

Capital Commitments

Our capital commitments decreased from RMB1.3 million as of December 31, 2022 to RMB0.2 million as of December 31, 2023, primarily in connection with purchase of equipment.

Contingent Liabilities

As of December 31, 2023, we did not have any material contingent liabilities.

Foreign Exchange Risk Management

Our functional currency is RMB. Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not our functional currency. We expose ourselves to foreign exchange risk because certain of our trade payables, trade receivables, short-term bank deposits and cash and cash equivalents are denominated in foreign currencies. We will mitigate such a risk by constantly reviewing the economic situation and foreign exchange risk, and applying hedging measures when necessary.

Employee and Remuneration Policy

As of December 31, 2023, we had 219 full-time employees (December 31, 2022: 236), all of whom were based in China. The total staff costs for the year ended December 31, 2023 (including staff remuneration, bonuses, welfare cost and social insurance fees etc.) amounted to approximately RMB100.7 million.

We primarily recruit our employees through recruitment agencies, internal referrals and online recruiting channels, including our corporate website, job search websites and social networking platforms. We have adopted training protocols, pursuant to which we provide on-board and regular continuing trainings for our employees. As part of our human resources strategy, we offer employees competitive salaries, performance-based cash bonuses and other incentives.

Indebtedness

The following table sets forth the breakdown of our lease liabilities as of the dates indicated.

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Lease liabilities	**2,440**	3,335

Key Financial Ratios

The following table sets forth our key financial ratios for the years indicated.

	For the year ended/ as at 31 December	
	2023	2022
Profitability ratios		
Gross profit margin	**88.6%**	88.7%
Net profit margin	**46.5%**	-8.0%
Liquidity ratio		
Current ratio	**24.1 times**	20.9 times
Gearing ratio	**3.0%**	3.6%

(1) The calculation of gross profit margin is based on gross profit for the year divided by revenue for the respective year and multiplied by 100.0%.

(2) The calculation of net profit margin is based on profit/loss for the year divided by revenue for the respective year and multiplied by 100.0%.

(3) The calculation of current ratio is based on current assets divided by current liabilities as of year end.

(4) The gearing ratio is calculated based on the Group's total liabilities divided by total assets as of the end of the year and multiplied by 100.0%.

Gross profit margin and net profit margin

Please refer to the section headed "Gross profit and gross profit margin" above for a discussion of the factors affecting our gross profit margin during 2022 and 2023. The significant change in the net profit margin is mainly due to the fact that the Group recorded net profit for the year ended December 31, 2023, as compared to a net loss for the year ended December 31, 2022.

Current ratio

Our current ratio was at 20.9 times and 24.1 times as of December 31, 2022 and 2023, respectively.

The increase in current ratio was primarily due to the increase in current assets and decrease in current liabilities as discussed in the section headed "Net current assets".

Non-IFRS Measure – Adjusted net profit

To supplement our consolidated financial information which is presented in accordance with IFRS, we set forth below our adjusted net profit as an additional financial measure which is not presented in accordance with IFRS. We believe this is meaningful because potential impacts of certain items which our management do not consider closely relevant to our operating performance have been excluded, and this would be useful for our investors to compare our financial results directly with those of our peer companies.

Adjusted net profit eliminates the effect of certain non-cash or non-recurring items, namely (i) listing expenses, net of tax; (ii) net foreign exchange losses from the retranslation of the USD-denominated redemption liabilities; (iii) interest expense on redemption liabilities; and (iv) share-based payment expenses. The term "adjusted net profit" is not defined under IFRS. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact our net profit for the year.

The following table reconciles our adjusted net profit for the periods indicated to the most directly comparable financial measure calculated and presented in accordance with IFRS:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit/(loss) for the year	**151,532**	(19,813)
Add: Listing expenses, net of tax	**–**	15,329
Add: Net foreign exchange losses from the retranslation of the USD-denominated redemption liabilities	**–**	76,377
Add: Interest expense on redemption liabilities	**–**	18,683
Add: Share-based payment expenses	**21,050**	20,513
Non-IFRS Adjusted net profit	**172,582**	111,089

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2023	2022
		RMB'000	*RMB'000*
Revenue	*4*	**325,896**	247,670
Cost of sales	*5*	**(37,085)**	(27,984)
Gross profit		**288,811**	219,686
Distribution expenses	*5*	**(50,113)**	(38,663)
General and administrative expenses	*5*	**(42,835)**	(53,685)
Research and development expenses	*5*	**(61,578)**	(53,873)
Net reversal/(provision) for impairment losses on financial assets		**5,981**	(5,727)
Other income and losses – net	*6*	**18,416**	(69,464)
Operating profit/(loss)		**158,682**	(1,726)
Finance income		**14,816**	5,665
Finance costs		**(204)**	(18,971)
Finance income/(costs) – net		**14,612**	(13,306)
Profit/(loss) before income tax		**173,294**	(15,032)
Income tax expense	*7*	**(21,762)**	(4,781)
Profit/(loss) for the year		**151,532**	(19,813)
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income/(loss) for the year		**151,532**	(19,813)
Profit/(loss) and total comprehensive income/(loss) attributable to owners of the Company		**151,532**	(19,813)
Earnings/(losses) per share attributable to the owners of the Company (expressed in RMB per share)			
Basic and diluted earnings/(losses) per share	*8*	**0.44**	(0.06)

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		**106,946**	92,978
Right-of-use assets		**3,081**	4,563
Investment properties		**22,256**	38,483
Goodwill		**48,282**	48,282
Intangible assets		**281,731**	204,608
Deferred income tax assets		**13,257**	15,581
Prepayments		**533**	3,238
Long-term bank deposits		**95,309**	72,396
Total non-current assets		**571,395**	480,129
Current assets			
Inventories		**69,423**	57,398
Trade receivables	*10*	**32,683**	30,615
Prepayments and other receivables		**46,252**	38,065
Financial assets at fair value through profit or loss		**–**	258,109
Restricted cash		**–**	790
Short-term bank deposits		**54,679**	–
Cash and cash equivalents		**1,212,034**	944,515
Total current assets		**1,415,071**	1,329,492
Total assets		**1,986,466**	1,809,621

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
EQUITY			
Equity attributable to owners of the Company			
Share capital		**346,750**	346,750
Other reserves		**1,309,143**	1,278,528
Retained earnings		**270,781**	119,249
Total equity		**1,926,674**	1,744,527
LIABILITIES			
Non-current liabilities			
Lease liabilities		**1,099**	1,544
Total non-current liabilities		**1,099**	1,544
Current liabilities			
Trade and other payables	*11*	**38,064**	34,809
Contract liabilities		**12,589**	13,119
Current income tax liabilities		**6,699**	13,831
Lease liabilities		**1,341**	1,791
Total current liabilities		**58,693**	63,550
Total liabilities		**59,792**	65,094
Total equity and liabilities		**1,986,466**	1,809,621

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

LEPU ScienTech Medical Technology (Shanghai) Co., Ltd. (the "Company", 樂普心泰醫療科技(上海)股份有限公司) was incorporated as a joint stock limited liability company in the People's Republic of China (the "PRC" or "China") on 29 January 2021. The address of its registered office is Room 201, Building 41, No. 258, Xinzhuan Road, Songjiang District, Shanghai, the PRC.

The Company has completed its IPO and listing on the Main Board of The Stock Exchange of Hong Kong Limited ("HKEx") on 8 November 2022.

The Company is an investment holding company. The Company and its subsidiaries (together referred as to the "Group") are principally engaged in research and development, manufacturing and sales of interventional treatment series occluders for defective congenital heart disease (缺損性先天性心臟病介入治療系列封堵器) and the research and development of biological valve (生物瓣膜) for heart disease.

As of the date of these consolidated financial statements, Lepu Medical, together with its wholly-owned subsidiaries, Target Medical, held 80.75% equity interest in the Company (with Lepu Medical and Target Medical directly hold 79.94% and 0.81% equity interests in the Company respectively). Dr. Pu Zhongjie is the actual controller of Lepu Medical. Lepu Medical, Dr. Pu Zhongjie and Target Medical are considered as a group of controlling shareholders of the Company.

The consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with all applicable "IFRS Accounting Standards" as issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets which were measured at fair value.

IFRS Accounting Standards comprise the following authoritative literature:

- IFRS Accounting Standards ("IFRS")
- IAS Standards ("IAS")
- Interpretations developed by the IFRS Interpretations Committee ("IFRIC Interpretations") or its predecessor body, the standing Interpretations Committee ("SIC Interpretations")

2.1 New or amended standards adopted by the Group

The Group has applied the following new and amended standards for its annual reporting period commencing 1 January 2023:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform – Pillar Two Model Rules

The new and amended standards listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.2 New or amended standards not yet adopted by the Group

The following amended standards have been published but not mandatory for the year ended on 31 December 2023 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to IAS 7 and IFRS 7	Supplier finance arrangements	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 21	Lack of Exchangeability	1 January 2025
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of these amended standards, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

3 SEGMENT INFORMATION

Description of segments and principal activities

The Group's business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resource and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions.

The CODM assessed the performance of the reportable operating segments mainly based on segment revenue, cost of sales, research and development expenses of each reportable operating segment. Thus, segment result would present revenue, cost of sales, research and development expenses and gross profit for each reportable operating segment, which is in line with CODM's performance review.

The Group's reportable operating segments are as follows:

Occluder Business

Occluder Business is primarily operated by Shanghai Shape Memory Alloy, which is engaged in the business of research, development and sales of interventional treatment series occluders for defective congenital heart disease.

Heart Valve Business

Heart Valve Business is primarily operated by the Beijing Branch of Shanghai Shape Memory Alloy, which is currently engaged in the business of research and development of heart valve medical devices.

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

The segment information provided to the Group's CODM for reportable segments for the respective years is as follows:

	Year ended 31 December 2023		
	Occluder Business *RMB'000*	**Heart Valve Business** *RMB'000*	**Total** *RMB'000*
Revenue	**325,896**	**–**	**325,896**
Cost of sales	**(37,085)**	**–**	**(37,085)**
Gross profit	**288,811**	**–**	**288,811**
Research and development expenses	**(20,506)**	**(41,072)**	**(61,578)**
Segment profit/(loss)	**268,305**	**(41,072)**	**227,233**
Unallocated items			
– Distribution expenses			**(50,113)**
– General and administrative expenses			**(42,835)**
– Net reversal of impairment losses on financial assets			**5,981**
– Other income and gains – net			**18,416**
– Finance income – net			**14,612**
Profit before income tax			**173,294**

	Year ended 31 December 2022		
	Occluder Business	Heart Valve Business	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	247,670	–	247,670
Cost of sales	(27,984)	–	(27,984)
Gross profit	219,686	–	219,686
Research and development expenses	(20,059)	(33,814)	(53,873)
Segment profit/(loss)	199,627	(33,814)	165,813
Unallocated items			
– Distribution expenses			(38,663)
– General and administrative expenses			(53,685)
– Net provision for impairment losses on financial assets			(5,727)
– Other income and losses – net			(69,464)
– Finance costs – net			(13,306)
Loss before income tax			(15,032)

Note:

During the years ended 31 December 2023 and 2022, the research and development expenses capitalised as intangible assets and not included in the segment information above amounted to approximately RMB82,007,000 and RMB69,107,000, respectively.

4 REVENUE

An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 was as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers recognised at a point in time		
– Revenue from sales of medical occluders	**325,896**	247,670

Revenues from external customers are derived from the sales of medical occluders both directly to hospitals and network of distributors.

5 EXPENSES BY NATURE

The details of cost of sales, distribution expenses, general and administrative expenses and research and development expense are as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Employee benefit expense	**76,480**	70,451
Changes in inventories of finished goods and work in progress	**(8,671)**	(8,149)
Raw materials and consumables used for		
– products production	**23,279**	16,236
– research and development	**13,970**	15,453
	37,249	31,689
Products testing, pre-clinical trial and animals studies fees	**15,963**	10,250
Depreciation of		
– property, plant and equipment	**4,701**	3,416
– right-of-use assets	**2,430**	2,853
– investment properties	**646**	1,070
	7,777	7,339
Amortisation of intangible assets	**7,925**	7,530
Marketing and consulting service fees	**18,282**	14,432
Professional service fees	**9,196**	225
Utilities and office expenses	**4,437**	4,957
Travelling expenses	**5,464**	3,952
Taxes and surcharges	**5,214**	3,297
Transportation costs	**3,676**	1,541
Listing expenses	**–**	20,438
Auditor's remuneration:		
– audit services	**2,600**	2,400
– non-audit services	**113**	120
Others	**5,906**	3,733
Total	**191,611**	174,205

6 OTHER INCOME AND LOSSES – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Investment income on financial assets at fair value through profit or loss	**10,762**	10,395
Government grants *(Note)*	**12,403**	4,767
Testing and processing service income	**–**	1,019
Commission income from related party	**–**	746
Rental income from investment properties	**679**	530
Others	**614**	42
Other income	**24,458**	17,499
Fair value losses on financial assets at fair value through profit or loss	**–**	(4,928)
Net loss on write-off of property, plant and equipment	**–**	(1)
Net foreign exchange losses	**(5,888)**	(82,279)
Others	**(154)**	245
Other losses – net	**(6,042)**	(86,963)
Other income and losses – net	**18,416**	(69,464)

Note:

The government grants are mainly subsidies received from local authorities in consideration of encouragement of the Group's investments in research and development activities, the Group's tax contribution, as well as a one-time subsidy for the Company's listing on the HKEx, etc.

7 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax charge:		
– Current tax on profits for the year	**18,844**	11,791
– Adjustments for the prior year	**594**	–
Deferred income tax credit/(debit)	**2,324**	(7,010)
Income tax expense	**21,762**	4,781

Shanghai Shape Memory Alloy is qualified as a "High and New Technology Enterprise ("HNTE")" under the relevant PRC laws and regulations on 23 October 2017 (such qualification renewed on 18 November 2020 and 12 December 2023). Accordingly, it is entitled to a preferential income tax rate of 15% on its estimated assessable profits for the years ended 31 December 2023 and 2022. Shanghai Shape Memory Alloy is subject to the requirement for re-applying for the renewal of this HNTEs status every three years.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2021 onwards, enterprise engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year (the "super deduction").

8 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during each year.

	Year ended 31 December	
	2023	2022
Profit/(Loss) attributable to owners of the Company for the years *(RMB'000)*	**151,532**	(19,813)
Weighted average number of ordinary shares in issue (in thousands)	**346,750**	327,556
Basic earnings/(losses) per share (in RMB per share)	**0.44**	(0.06)

(b) Diluted earnings/(losses) per share

Diluted earnings/(losses) per share is the same as basic earnings/(losses) per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2023 and 2022.

9 DIVIDENDS

Pursuant to the resolution on 28 March 2024, the Board has resolved to recommend for declaration and payment of a final dividend of RMB0.57 per share (approximately RMB197.6 million in aggregate) for the year ended 31 December 2023 (2022: nil), subject to the approval by the Shareholders of the Company at the forthcoming annual general meeting to be held on 23 May 2024. This proposed dividend is not reflected as a dividend payable in these consolidated financial statements, but will be reflected as an appropriation for the year ending 31 December 2024.

10 TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables from contracts with customers		
– third parties	**37,532**	43,540
– related parties	**3,114**	1,039
	40,646	44,579
Less: allowance for impairment	**(7,963)**	(13,964)
	32,683	30,615

The Group generally does not offer any official contractual credit terms to its customers and will closely monitor the settlement pattern of respective customers. For certain individual customers with long-term relationship with the Group and have good credit history in the past, the Group may allow them to settle the related receivable balances within a discretionary period ranging from 30 days to 180 days.

The aging analysis of the gross trade receivable as at 31 December 2023 and 2022, based on invoice date, are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**36,317**	25,944
Between 1 year and 2 years	**312**	12,845
Over 2 years	**4,017**	5,790
	40,646	44,579

11 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables		
– related parties	**3,239**	800
– third parties	**16,208**	11,461
	19,447	12,261
Other payables to related parties	**12**	163
Employee benefits payable	**6,852**	6,681
Other taxes payable	**2,445**	6,461
Accrued listing expenses	**–**	5,559
Deposits received from customers	**65**	271
Others	**9,243**	3,413
	38,064	34,809

The credit period granted by suppliers to the Group ranged from 30 days to 120 days. Aging analysis of the trade payables at each balance sheet date are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**17,858**	11,992
Between 1 year and 2 years	**1,381**	122
Over 2 years	**208**	147
	19,447	12,261

OTHER INFORMATION

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

Neither the Company nor its subsidiary had purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

On 28 March 2024, the Board proposed a declaration and payment of a final dividend for the year ended 31 December 2023. Further details are disclosed in "Final Dividend" in this announcement and Note 9 to the consolidated financial statements.

As of the date of this announcement, there has been no other significant event since the end of the Reporting Period that is required to be disclosed by the Company.

USE OF NET PROCEEDS FROM LISTING

The Shares were listed on the Stock Exchange. The net proceeds received from the Global Offering (after deducting the estimated underwriting commissions and other fees and expenses payable by the Company in connection with the Global Offering) was approximately HK$567.3 million.

The following table sets forth the planned use and actual use of the net proceeds from the Global Offering as of December 31, 2023:

Use of proceeds	**Net proceeds from the Global Offering** *(HK$ million)*	**Utilized amount as of December 31, 2023** *(HK$ million)*	**Unutilized amount as of December 31, 2023** *(HK$ million)*	**Expected timeline for fully utilizing the unutilized amount**[(1)]
To fund our research and development activities	287.6	80.9	206.7	Before December 31, 2027
For our sales and marketing activities	137.9	15.2	122.7	Before December 31, 2027
To expand our production capacity and strengthen our manufacturing capabilities	28.4	5.6	22.8	Before December 31, 2027
To fund potential strategic investments and acquisitions	56.7	–	56.7	Before December 31, 2027
For our working capital and general corporate purposes	56.7	–	56.7	Before December 31, 2027
Total	567.3	101.7	465.6	

Note:

(1) The expected timeline for fully utilizing the unutilized amount disclosed above is based on the best estimates made by the Board pursuant to the latest information up to the date of this announcement.

As disclosed on pages 485 to 492 of the Prospectus, based on the current business plan, the Company intended to implement the use of proceeds from the Global Offering in the five financial years from 2023 to 2027. The net proceeds from the Global Offering (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in that same manner, proportion and the expected timeframe as set out in the Prospectus. The Board currently expects full utilization of the net proceeds raised from the Global Offering by December 31, 2027, subject to changes in light of the Company's evolving business needs and changing market conditions.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company's corporate governance practices are based on the principles and code provisions as set out in the CG Code contained in Appendix C1 to the Listing Rules and the Company has adopted the CG Code as its own code of corporate governance.

Throughout the Reporting Period, the Company has complied with the code provisions as set out in the CG Code, except for the deviation from the below code provisions.

Pursuant to code provision C.2.1 in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Ms. Chen Juan (陳娟) is currently serving as the chairman of the Board as well as the chief executive officer of the Company. She has been primarily involved in developing overall corporate and business strategies of the Group and making significant business and operational decisions of the Group. The Directors consider that vesting the roles of both the chairman of the Board and the chief executive officer of the Company in Ms. Chen is beneficial to the business prospects of the Group by ensuring consistent leadership to the Group as well as prompt and effective decision making and implementation. In addition, the Directors believe that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (1) decision to be made by the Board requires approval by at least a majority of the Directors; (2) Ms. Chen and other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that she acts for the benefit and in the best interests of the Company and will make decisions for the Company accordingly; (3) the balance of power and authority was ensured by the operations of the Board, which consisted of two executive Directors, two non-executive Directors and three independent non-executive Directors, and had a fairly strong independence element; and (4) the overall strategic and other key business, financial, and operational policies of the Company are made collectively after thorough discussion at both Board, and senior management levels.

The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding the transactions of securities of the Company by its directors, supervisors and the relevant employees who would likely possess inside information of the Company. Specific enquiry has been made to all Directors and supervisors of the Company and all of them have confirmed that they have complied with the Model Code during the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

The Company has applied for and the Stock Exchange has approved waiver from strict compliance with Rule 8.08(1) of the Listing Rules. Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained the required public float under the Listing Rules and the public float waiver at any time during the Reporting Period.

AUDIT COMMITTEE

The Audit Committee comprises two independent non-executive Directors, namely Ms. Chan Ka Lai Vanessa and Mr. Zheng Yufeng, and one non-executive Director, namely Mr. Zheng Guorui.

The Audit Committee has reviewed the consolidated financial statements and this annual results announcement of the Group for the year ended December 31, 2023, reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated balance sheet and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this annual results announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance has been expressed by PricewaterhouseCoopers on this annual results announcement.

ANNUAL GENERAL MEETING

The Board proposed that the annual general meeting of the Company (the "**2023 AGM**") will be held on Thursday, May 23, 2024. The notice and the circular of the 2023 AGM will be published on the website of the Company (www.scientechmed.com) and the HKEXnews website of the Stock Exchange (www.hkexnews.hk) in due course.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.57 per Share (tax inclusive) for the year ended December 31, 2023 (approximately RMB197.6 million in aggregate), which is subject to the approval by the Shareholders at the 2023 AGM, the final dividend will be paid in Hong Kong dollars. The exchange rate for the final dividend to be paid in Hong Kong dollars will be the mean of the exchange rates of Renminbi to Hong Kong dollars as announced by the PBOC during the five business days preceding the date of approval of the final dividend at the 2023 AGM, The final dividend is expected to be paid on or before Monday, September 30, 2024 to the Shareholders whose names appear on the register of members of the Company on Friday, May 31, 2024. (2022 final dividend: Nil).

CLOSURE OF REGISTER OF MEMBERS

In relation to the 2023 AGM

For ascertaining the Shareholders' right to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Monday, May 20, 2024 to Thursday, May 23, 2024, both days inclusive, during which period no transfer of Shares will be effected.

In order to be eligible to attend and vote at the forthcoming 2023 AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the H share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, May 17, 2024 for registration.

In relation to the final dividend

In addition, in order to determine the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will be closed from Thursday, May 30, 2024 to Friday, May 31, 2024, both days inclusive.

In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Wednesday, May 29, 2024 for registration. The record date for entitlement to the proposed final dividend is Friday, May 31, 2024.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND THE ANNUAL REPORT

This announcement was published on the HKEXnews website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.scientechmed.com). The 2023 annual report containing all the information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

"2023 AGM"	the forthcoming annual general meeting of the Company to be held on Thursday, May 23, 2024
"ASD"	atrial septal defect, a remnant opening, or a defect, between the left and right atria resulting from the abnormal development, absorption and fusion of the atrial septum during embryonic development
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company

"CDH Supermatrix"	CDH Supermatrix D Limited, a limited liability company incorporated under the laws of Hong Kong on April 27, 2021 and a Pre-IPO Investor
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"CHD"	congenital heart disease, the formation of the heart and blood vessels during embryonic development or abnormal development or failure to close the channels that should be automatically closed after birth, resulting in abnormalities in the solid structure or function of the blood vessels in the heart or thoracic cavity
"Company"	LEPU ScienTech Medical Technology (Shanghai) Co., Ltd.* (樂普心泰醫療科技(上海)股份有限公司), a joint stock limited liability company established in the PRC on January 29, 2021 and whose Shares are listed on the Main Board of the Stock Exchange
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"FIM"	First in man
"Global Offering"	has the meaning ascribed to it under the Prospectus
"Group", "we", "us", or "our"	the Company and its subsidiary from time to time
"HK dollar" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huaihua Haozhi"	Huaihua Haozhi Enterprise Management Partnership (Limited Partnership)# (懷化皓智企業管理合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on February 19, 2020 and a Pre-IPO Investor
"IFRS"	refers to International Financial Reporting Standards, amendments and interpretations issued by the International Accounting Standards Board
"KOLs"	key opinion leaders, who are professionals that influence their peers' medical practice, including but not limited to prescribing behavior
"LAA"	left atrial appendage, a long, narrow and curved blind-end structure extending forward and downward along the anterior wall of the left atrium, which has active diastolic and secretory functions
"Lepu Medical"	Lepu Medical Technology (Beijing) Co., Ltd.# (樂普(北京)醫療器械股份有限公司), a company listed on the ChiNext Board of the Shenzhen Stock Exchange, stock code: 300003, one of our controlling Shareholders

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"NMPA"	the National Medical Products Administration of the PRC (國家藥品監督管理局), formerly known as the China Food and Drug Administration
"PBOC"	the People's Bank of China
"PDA"	patent ductus arteriosus, a remnant opening of the ductus arteriosus, which fails to close normally in one year after birth
"PFO"	patent foramen ovale, a remnant opening of the fetal foramen ovale, which fails to close normally in one year after birth
"PRC" or "China"	the People's Republic of China, excluding, for the purposes of this announcement, Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"Pre-IPO Investors"	the pre-IPO investors, namely Vivo Capital Fund IX, Sequoia Capital China Growth, SHC, Huaihua Haozhi and CDH Supermatrix, details of which are set out in the Prospectus
"Prospectus"	the prospectus issued by the Company on October 27, 2022 in connection with the Hong Kong public offering of the Shares
"Reporting Period"	twelve months from January 1, 2023 to December 31, 2023
"RMB"	Renminbi, the lawful currency of the PRC
"Sequoia Capital China Growth"	SCC Growth VI Holdco AF, Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on April 12, 2021 and a Pre-IPO Investor
"Shareholder(s)"	holder(s) of Share(s)
"Shares"	ordinary share(s) in the share capital of the Company with a par value of RMB1.00 each
"SHC"	Shanghai Healthcare Capital Partnership (Limited Partnership) (上海生物醫藥產業股權投資基金合夥企業(有限合夥)), a limited liability partnership established under the laws of the PRC on October 28, 2020 and a Pre-IPO Investor

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"TAVR"	transcatheter aortic valve replacement, a catheter-based technique to implant a new aortic valve in a minimally invasive procedure that does not involve open-chest surgery to correct severe aortic stenosis
"TMVR"	transcatheter mitral valve repair, which provides a newer, minimally invasive option for treating the most common form of mitral valve leakage for people who cannot undergo open-heart surgery. It is implanted via a tri-axial transcatheter technique and involves suturing together the anterior and posterior mitral valve leaflets
"TMVr-F"	transfemoral mitral valve clip repair, a catheter-based technique to repair the mitral valve in an interventional therapy that does not involve open-chest surgery
"US$" or "USD"	United States dollars, the lawful currency of the United States of America
"Vivo Capital Fund IX"	Vivo Capital Fund IX, L.P., a limited partnership established under the laws of Delaware of the United States on March 12, 2018 and a Pre-IPO Investor
"VSD"	ventricular septal defect, a defect, or a hole, in the septum between the left and right ventricles of the heart, which may lead to abnormal blood circulation and pulmonary hypertension and other complications in severe cases
"%"	per cent

By Order of the Board
LEPU ScienTech Medical Technology (Shanghai) Co., Ltd.*
樂普心泰醫療科技(上海)股份有限公司
Ms. Chen Juan
Chairman of the Board and Executive Director

Shanghai, the People's Republic of China
March 28, 2024

As at the date of this announcement, the Board comprises Ms. Chen Juan as an executive Director, Ms. Zhang Yuxin, Mr. Fu Shan and Mr. Zheng Guorui as non-executive Directors, and Ms. Chan Ka Lai Vanessa, Mr. Zheng Yufeng, and Mr. Liu Daozhi as independent non-executive Directors.

\# *For identification purposes only*

* *The Company is a registered non-Hong Kong company as defined under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "LEPU ScienTech Medical Technology (Shanghai) Co., Ltd.".*