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MicroTech Medical (Hangzhou) Co., Ltd.

微泰醫療器械(杭州)股份有限公司

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

(Stock code: 2235)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

The board of directors (the “**Board**”) of MicroTech Medical (Hangzhou) Co., Ltd. (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “**Group**”, “**we**”, “**our**” or “**us**”) for the six months ended June 30, 2023 (the “**Reporting Period**”), together with comparative figures for the six months ended June 30, 2022.

	For the six months ended June 30,		Period-to- Period change (%)
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	
Operating income	110,814	71,824	54.3
Gross profit	57,614	31,774	81.3
Net loss	(18,663)	(7,942)	(135.0)
Loss attributable to owners of the parent	(18,663)	(7,942)	(135.0)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted	RMB(0.04)	RMB(0.02)	(100.0)

BUSINESS HIGHLIGHTS

Our product portfolio continued to benefit from the growing user demand for diabetes treatment, monitoring and management in China and globally. For the six months ended June 30, 2023, we recorded operating income of RMB110.8 million, representing an increase of 54.3% from RMB71.8 million for the six months ended June 30, 2022. For the six months ended June 30, 2023, we recorded gross profit of RMB57.6 million, representing an increase of 81.3% from RMB31.8 million for the six months ended June 30, 2022. Our gross margin also increased from 44% for the six months ended June 30, 2022 to 52% for the six months ended June 30, 2023. The growth in our operating income primarily derived from the rapid growth of innovative products, such as CGMS AiDEX and patch insulin pump system Equil, as well as the swift growth of BGMS. These above-mentioned growths were benefited from our further expansion into overseas markets and domestic online channels, as well as our efforts in promoting doctor-patient education and popularizing the dynamic blood sugar management philosophy.

We adhere to independent innovation and autonomous research and development. In the first half of 2023, our PanCares artificial pancreas system, also known as “Hybrid Closed-Loop Insulin Delivery System”, was approved by the NMPA for the entry into the “Innovative Medical Device Special Review Procedure” (創新醫療器械特別審查程序), and our new generation CGMS, AiDEX X has been submitted for registration. In July 2023, we were recognized as a national-level Specialized, Refined, Differential and Innovative “Little Giants” Enterprise.

We continued to increase investments in innovative products and research and development capabilities. As of June 30, 2023, our research and development expenses amounted to RMB32.0 million, representing an increase of 30.2% compared to the same period last year. As a company with a product mix including patch insulin pump systems and CGMS, we possess the capabilities to create a closed-loop ecosystem for diabetes monitoring, treatment, and management. As of June 30, 2023, we achieved significant progress in product development, including (1) completion of clinical trials for extending the application scope of insulin pump system Equil to children and adolescent diabetes patients (aged 3 to 18); (2) submission to the NMPA for registration of the CGMS for children and adolescent diabetes patients (aged 2 to 18); (3) submission to the NMPA for registration of the new generation CGMS, AiDEX X, which has superior performance and is easier to use; (4) our PanCares artificial pancreas system entering the clinical trial phase with the approval for the “Innovative Medical Device Special Review Procedure” by the NMPA; (5) ongoing development of a cloud-based big data diabetes management platform aimed at providing comprehensive blood glucose management solutions for hospitals, which bridges in-hospital and out-of-hospital blood glucose management, optimizes the management of diabetes patients’ blood glucose levels, and is submitted to the NMPA for registration; and (6) the CE certification issued to the Exactive Pro, our blood glucose, blood ketone, and uric acid monitoring system, in May 2022, which was also approved for marketing in China as of the date of this announcement.

We actively participate in academic conferences and exhibitions in the professional fields at home and abroad to expand the visibility and influence of our products and the concept of one-stop blood glucose management. In the domestic market, we maintained good cooperation with major diabetes associations, through which not only more doctors and patients develop a better understanding of the entire system products and management platform of MicroTech, but also enhance our product awareness and penetration rates in the professional market. In the international market, we continue to participate in Arab Health, the 16th International Conference on Advanced Technologies & Treatments for Diabetes (ATTD) and other international medical device exhibitions, showcasing our innovative achievements in blood glucose management and chronic disease treatment and expanding our reach to new channels including Russia, Asia Pacific and Latin America. We have built a complete e-commerce and brand innovation team. In the first half of the year, we achieved significant growth in brand exposure and online sales. We continued to actively advocate the concept of dynamic blood glucose management, and effectively promoted its popularization in China. We jointly collaborated with People's Daily Health APP and JD Health to launch the first "6 • 9 China Stable Blood Glucose Day" event. As of the date of this announcement, by wearing CGMS before the public, we not only benefit more patients but also promote our concept of dynamic blood glucose management more widely. The continued progress of the above will provide us with a good foundation for sales growth in the second half of 2023 and beyond.

CONSOLIDATED INCOME STATEMENT

For six months ended June 30, 2023

		For six months ended June 30,	
		2023	2022
		(Unaudited)	(Unaudited)
	Note	RMB'000	RMB'000
I. Operating income	4	110,814	71,824
Less: Operating cost		53,200	40,050
Tax and surcharges		679	514
Selling expenses		68,919	39,000
Administrative expenses		22,566	14,324
Research and development expenses		32,017	24,585
Finance costs		(49,551)	(37,809)
Including: interest costs		40	76
interest income		33,823	23,925
Add: Other income		972	1,490
Investment income		–	–
Including: investment income from			
associates and joint venture		–	–
income from derecognition of			
financial assets measured at			
amortised cost		–	–
Net exposure hedging benefits		–	–
Gain on change in fair value		–	–
Impairment loss on credit		(846)	372
Impairment loss on assets		(1,739)	(901)
Gains on disposal of assets		–	–
		<hr/>	<hr/>
II. Operating profit		(18,629)	(7,879)
Add: Non-operating income		2	3
Less: Non-operating expenses		36	66
		<hr/>	<hr/>
III. Total profit		(18,663)	(7,942)
Less: Income tax expenses	5	–	–
		<hr/>	<hr/>
IV. Net profit		(18,663)	(7,942)
		<hr/> <hr/>	<hr/> <hr/>
(I) By continuing operation:			
1. Net profit from continuing operations		(18,663)	(7,942)
2. Net profit from discontinued operations		–	–
(II) By ownership:			
1. Net profit attributable to owners of			
the parent		(18,663)	(7,942)
2. Minority interests		–	–
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		For six months ended June 30,	
		2023	2022
		(Unaudited)	(Unaudited)
<i>Note</i>		RMB'000	RMB'000
	V. Other comprehensive income, net of tax	689	–
	Other comprehensive income attributable to owners of the parent, net of tax	689	–
	(I) Other comprehensive income that will not be reclassified to profit or loss	–	–
	1. Change in defined benefit plans arising from re-measurement	–	–
	2. Other comprehensive income that cannot be transferred to profit or loss under the equity approach	–	–
	3. Changes in fair value of other equity instrument investments	–	–
	4. Change in fair value of the Company's own credit risk	–	–
	5. Others	–	–
	(II) Other comprehensive income that will be reclassified to profit or loss	689	–
	1. Other comprehensive income that can be transferred to profit or loss under the equity approach	–	–
	2. Change in fair value of other debt investments	–	–
	3. Financial assets reclassified into other comprehensive income	–	–
	4. Provision for credit impairment of other debt investments	–	–
	5. Cash flow hedge reserve (effective portion of gains or losses on hedging instruments)	–	–
	6. Translation differences arising on translation of foreign currency financial statements	689	–
	7. Others	–	–
	Other comprehensive income attributable to minority interests, net of tax	–	–
	VI. Total comprehensive income	(17,974)	(7,942)
	Total comprehensive income attributable to owners of the parent	(17,974)	(7,942)
	Total comprehensive income attributable to minority interests	–	–
	VII. Earnings per share:		
	(I) Basic earnings per share	7	RMB(0.04) RMB (0.02)
	(II) Diluted earnings per share	7	RMB(0.04) RMB (0.02)

CONSOLIDATED BALANCE SHEET

As at June 30, 2023

		June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000
	<i>Note</i>		
Current assets			
Cash at bank and on hand		2,051,252	2,046,570
Financial assets held for trading		–	–
Derivative financial assets		–	–
Bills receivable		–	–
Accounts receivable	9	33,286	49,257
Receivables financing		–	–
Prepayments		9,306	9,426
Other receivables		1,543	2,001
Inventories		52,687	67,335
Contract assets		–	–
Assets held for sale		–	–
Non-current assets due within one year		–	–
Other current assets		2,445	2,393
		<u>2,150,519</u>	<u>2,176,982</u>
Total current assets			
Non-current assets			
Debt investments		–	–
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments		–	–
Other equity instrument investments		–	–
Other non-current financial assets		–	–
Investment properties		–	–
Fixed assets	8	85,946	89,476
Construction in progress		6,690	381
Productive biological asset		–	–
Oil and gas assets		–	–
Right-of-use assets		530	761
Intangible assets		17,699	18,759
Development expenses		–	–
Goodwill		–	–
Long-term deferred expenses		–	178
Deferred tax assets		–	–
Other non-current assets		2,408	7,560
		<u>2,408</u>	<u>7,560</u>

		June 30, 2023	December 31, 2022
		(Unaudited)	(Audited)
	<i>Note</i>	RMB'000	RMB'000
Total non-current assets		<u>113,273</u>	<u>117,115</u>
Total assets		<u><u>2,263,792</u></u>	<u><u>2,294,097</u></u>
Current liabilities			
Short-term borrowings		–	–
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Bills payable		–	–
Accounts payable	<i>10</i>	19,903	23,211
Advance payments received		2,624	598
Contract liabilities		7,015	11,860
Staff salaries payable		20,090	20,986
Taxes payable		3,586	1,931
Other payables		12,894	19,771
Liabilities held for sales		–	–
Non-current liabilities due within one year		367	453
Other current liabilities		489	349
Total current liabilities		<u>66,968</u>	<u>79,159</u>
Non-current liabilities			
Long-term borrowings		–	–
Bonds payable		–	–
Including: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities		106	264
Long-term payables		–	–
Long-term staff salaries payable		–	–
Accrued liabilities		2,652	2,626
Deferred income		3	11
Deferred tax liabilities		–	–
Other non-current liabilities		–	–
Total non-current liabilities		<u>2,761</u>	<u>2,901</u>
Total liabilities		<u><u>69,729</u></u>	<u><u>82,060</u></u>

	June 30, 2023	December 31, 2022
	(Unaudited)	(Audited)
<i>Note</i>	RMB'000	RMB'000
Owners' equity (or shareholders' equity)		
Paid-in capital (or share capital)	425,743	425,743
Other equity instruments	–	–
Including: Preferred shares	–	–
Perpetual bonds	–	–
Capital reserve	1,882,785	1,882,785
Less: Inventory shares	–	–
Other comprehensive income	1,108	419
Special reserve	–	–
Surplus reserve	–	–
General risk reserve	–	–
Unallocated profit	(115,573)	(96,910)
Total equity attributable to owners of the parent	2,194,063	2,212,037
Minority interest	–	–
	<hr/>	<hr/>
Total owners' equity	2,194,063	2,212,037
	<hr/> <hr/>	<hr/> <hr/>
Total liabilities and owners' equity	2,263,792	2,294,097
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CONSOLIDATED STATEMENT OF CASH FLOW

For six months ended June 30, 2023

	For six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
<i>Note</i>	RMB'000	RMB'000
I. Cash flows from operating activities		
Proceeds from sale of goods and rendering of services	128,319	80,120
Refund of taxes	3,356	2,970
Proceeds from other operating activities	14,797	29,626
Sub-total of cash inflows from operating activities	146,472	112,716
Payment for goods and services	54,784	61,227
Payment to and for employees	70,180	50,849
Payment of various taxes	430	898
Payment for other operating activities	52,879	26,197
Sub-total of cash outflows from operating activities	178,273	139,171
Net cash flows from operating activities	(31,801)	(26,455)
II. Cash flows from investing activities		
Cash received from return of investments	–	–
Cash received on investment income	–	–
Net proceeds from disposal of fixed assets, intangible assets and other long-term assets	–	–
Net cash received from disposal of subsidiaries and other operating units	–	–
Proceeds from other investing activities	288,176	–
Sub-total of cash inflows from investing activities	288,176	–
Payment for acquisition of fixed assets, intangible assets and other long-term assets	4,020	14,013
Cash paid for investment	–	–
Net cash paid for acquisition of subsidiaries and other operating units	–	–
Payment for other investing activities	713,268	–
Sub-total of cash outflows from investing activities	717,288	14,013
Net cash flows from investing activities	(429,112)	(14,013)

	For six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
<i>Note</i>	RMB'000	RMB'000
III. Cash flows from financing activities		
Proceeds from investors	–	–
Including: Investments received by subsidiaries from minority interests	–	–
Proceeds from borrowings	–	–
Proceeds from other financing activities	–	–
Sub-total of cash inflows from financing activities	–	–
Repayments of borrowings	–	–
Payment for dividends, profit distributions or interest	–	–
Including: Dividends and profits paid to minority interests of subsidiaries	–	–
Payment for other financing activities	283	20,785
Sub-total of cash outflows from financing activities	283	20,785
	<hr/>	<hr/>
Net cash flows from financing activities	(283)	(20,785)
	<hr/>	<hr/>
IV. Effect of changes in exchange rate on cash and cash equivalents	3,237	14,013
	<hr/>	<hr/>
V. Net increase in cash and cash equivalents	(457,959)	(47,240)
Add: Cash and cash equivalents at the beginning of the period	1,084,250	2,150,978
	<hr/> <hr/>	<hr/> <hr/>
VI. Cash and cash equivalents at the end of the period	626,291	2,103,738
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CONDENSED NOTES TO THE UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China ("PRC"). The registered office of the Company is located at No. 108 Liuze Street, Cangqian Street, Yuhang District, Hangzhou, Zhejiang, China. The Group is principally engaged in the research and development, manufacture and sales of medical devices for diabetes monitoring, treatment and management.

The H shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 19 October 2021. The existing share capital of the Company is RMB425,742,600 with a total number of 425,742,600 shares. Unless otherwise stated, the financial information for the six months ended June 30, 2023 is presented in thousands of Renminbi ("RMB"). The consolidated results for the six months ended June 30, 2023 have not been audited by the Company's auditors but have been reviewed by the Company's audit committee.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

2.1 Basis of preparation

The interim financial information for the six months ended June 30, 2023 has been prepared in accordance with the Accounting Standard for Business Enterprises and related regulations issued by the Ministry of Finance of the PRC (hereinafter collectively referred to as "PRC GAAP") and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the disclosure requirements under the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong), and based on the accounting policies and accounting estimates applicable to the Group. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended December 31, 2022.

2.2 Changes in accounting policies and disclosures

The accounting policies adopted in the preparation of the interim consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial information for the year ended December 31, 2022.

3. OPERATING SEGMENT INFORMATION

The Group is engaged in the research and development, manufacture and sales of medical devices, and for management purposes, the Group is not organised into business units based on their products. Management monitors the operating results of the Group's operating segments as a whole for the purpose of making decisions about resource allocation and performance assessment.

4. OPERATING INCOME

Operating income is analysed as follows:

	For six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Sales of products and related income	108,854	70,528
<i>Revenue from other sources</i>		
Lease income	1,960	1,296
	110,814	71,824

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	For six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Geographical markets		
Mainland China	71,550	51,839
Other countries/regions	37,304	18,689
	108,854	70,528
Timing of revenue recognition		
Goods or services transferred at a point in time	108,854	70,528

5. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “CIT Law”), the companies which operates in Mainland China are subject to CIT at a rate of 25% (2022: 25%) on the taxable income. Preferential tax treatment is available to the Company since it was recognised as a High and New Technology Enterprise, and it was entitled to a preferential tax rate of 15% (2022: 15%) during the year. Hangzhou MicroTech E-Commerce Co., Ltd.* (杭州微泰電子商務有限公司) and Hangzhou Jienuotong Science and Technology Materials Co., Ltd.* (杭州捷諾通科技材料有限公司) are qualified as a Small and Micro Enterprise and was entitled to a preferential tax rate of 2.5% (2022: 2.5%) during the period.

The income tax expense is as follows:

	For the six months ended June 30,	
	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current income tax expense	–	–
Deferred income tax expense	–	–
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>

6. DIVIDENDS

No dividend has been paid or declared by the Company in respect for the six months ended June 30, 2023 (six months ended June 30, 2022: Nil).

7. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the earnings for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 425,742,600 in issue during the period.

No adjustment has been made to the basic earnings per share amount presented for the reporting period in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the reporting period.

* *The unofficial English translation*

8. FIXED ASSETS

	June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000
Carrying amount at beginning of period/year	89,476	73,051
Additions	946	14,189
Depreciation provided during the period/year	(4,466)	(8,038)
Retirement	(10)	–
Transferred from construction in progress	–	10,274
	<u>–</u>	<u>10,274</u>
Carrying amount at end of period/year	<u>85,946</u>	<u>89,476</u>

9. ACCOUNT RECEIVABLES

An ageing analysis of the account receivables as at the end of the reporting period is as follows:

	June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000
Within 1 year	24,681	45,330
1 to 2 years	8,220	3,718
2 to 3 years	323	194
Over 3 years	62	15
	<u>62</u>	<u>15</u>
	<u>33,286</u>	<u>49,257</u>

10. ACCOUNT PAYABLES

An ageing analysis of the account payables as at the end of the reporting period is as follows:

	June 30, 2023 (Unaudited) RMB'000	December 31, 2022 (Audited) RMB'000
Within 1 year	19,236	22,323
1 to 2 years	520	766
2 to 3 years	62	64
Over 3 years	85	58
	<u>85</u>	<u>58</u>
	<u>19,903</u>	<u>23,211</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a high-tech company dedicated to the R&D, manufacturing, and sales of medical devices for diabetes monitoring, treatment and management, and committed to becoming the global leader in the field of diabetes management and helping individuals with diabetes lead healthier and better lives. We plan to continue developing multidisciplinary R&D capabilities and meeting changing clinical needs leveraging our diversified product portfolio. The Company will continue to expand its global market through user-centric and clinical data-based marketing strategies and a diversified commercialization pipeline. It will continue to increase production capacity to support growth and achieve economies of scale, establish a cloud-based diabetes management platform, realize the formulation of personalized diabetes solutions, and create a closed-loop diabetes management ecosystem.

The Group's strategic goals are to leverage our strengths in patch insulin pump system and CGMS, to further expand of our marketing network, develop and launch our closed-loop solutions, to enhance brand awareness of our innovative products and expand our business into international markets. Meanwhile, we are building a cloud-based diabetes management platform, expecting to bring more clinical benefits to diabetes patients all over the world and reduce their financial burdens.

Products and Product Pipeline

We have a rich portfolio of products in the field of diabetes monitoring, treatment and management, covering products such as patch insulin pump system, CGMS, closed-loop artificial pancreas system, BGMS products, as well as multiple launched products and pipeline candidates such as diabetes digital management software. As of June 30, 2023, we had five major categories of products and pipeline candidates. Our products have obtained 14 medical device registration certificates in the PRC (as of the date of this announcement, our products have obtained 15 medical device registration certificates in the PRC). In addition, nine of our products have obtained CE marking in the EU. We also have one product which has obtained 510(k) approval from FDA. We have 8 product candidates which are undergoing various stages of development. The following chart summarizes the development status of our products and product candidates as of the date of this announcement:

Product Line	Product		Major Markets	Preclinical	Clinical	Registration	Commercialization
Patch Insulin Pump System	Equil*	For adult use	China				
			EU				
		For child and adolescent use	China				
			EU				
	Second-Generation Patch Insulin Pump System		China				
CGMS	AiDEX	For adult use	China				
			EU				
		For child and adolescent use	China				
			EU				
	AiDEX X		China, EU				
Closed-loop Artificial Pancreas System	PanCares Artificial Pancreas System		China, EU				
	Cloud-based AI-powered Artificial Pancreas		China, EU				
IVD	BGMS products		China, EU, US				
	Blood Glucose, Blood Ketone and Uric Acid Monitory System — Exactive Pro	China					
		EU					
Multifunctional POCT System — Ivocare		China					
Diabetes Digital Management Software	Cloud-based Diabetes Management Platform		China				

* Core Product

Equil Patch Insulin Pump System — Our Core Product

Patch Insulin Pump System (“**Equil**”), our Core Product, is a semi-disposable patch insulin pump. Compared to traditional tubed insulin pumps, Equil enables relatively precise and continuous insulin infusion, and offers advantages such as more convenient and flexible wearing, more economical semi-disposable use and increased privacy without issues of tube blockage or pipeline entanglement, which can help patients better controlling of blood sugar and reduce the occurrence of complications. We have successfully marketed Equil in over 20 countries across Asia Pacific, Europe, the Middle East, Africa, etc.. In 2018, Equil, a patch insulin pump system, was successfully included in the Catalog of Innovative Medical Device Products (2018) (《創新醫療器械產品名錄(2018)》) released by the Ministry of Science and Technology, being the only product in the diabetes field listed in such catalog, with domestic first-in-class innovation type. In 2021, such product was included in the Guidelines for Insulin Pump Therapy in China (《中國胰島素泵治療指南》). Compared to the available commercialized patch insulin pumps in the global market, Equil’s pump has a longer reusable lifespan, rechargeable battery, and a unique pump vibration alarm design.

As of June 30, 2023, we had completed a pivotal clinical trial in China for the purpose of registering Equil for children’s and adolescents’ use.

We are developing our second-generation patch insulin pump system, featuring smaller size, higher waterproof level, better adaptability to insulin reservoirs with larger capacity, and user-friendly operation. We have equipped our second-generation patch insulin pump with internal control algorithms, which, together with our CGMS, is expected to form the bedrock of our closed-loop artificial pancreas system.

CGMS

Compared to traditional blood glucose monitoring methods, continuous glucose monitoring (clinically referred to as dynamic blood glucose monitoring) technology can provide continuous, comprehensive and reliable blood glucose information throughout the whole day, helping users understand the trends and characteristics of blood glucose fluctuations and eliminating the pain of frequent blood sampling.

AiDEX, our CGMS, is the second commercialized calibration-free real-time CGMS in the world. Since its launch, AiDEX has demonstrated various advantages over traditional BGMS products, featuring real-time monitoring, lowering the patients' risk of hyper/hypoglycemia, and increasing their compliance to treatment regimen without taking routine finger prick blood glucose measurements. We initiated a clinical trial to expand the use of AiDEX to children and adolescents with diabetes. As of June 30, 2023, we have completed the clinical trial and submitted the registration application to the NMPA.

We leveraged our proprietary technologies to develop a new generation of CGMS — AiDEX X, which has superior performance and is easier to use. As evidence of our efforts, the clinical trial for AiDEX X has been completed in China, and a registration application to the NMPA has been submitted.

By synergistically addressing the needs of different target populations, AiDEX X, and the already launched AiDEX will complement each other and thus allow us to deploy a portfolio approach, enabling rapid market penetration and wide user coverage.

Closed-loop Artificial Pancreas System

The closed-loop artificial pancreas system, featuring the intelligent functions in diabetes treatment and monitoring, comprises a closed-loop control algorithm to simulate the feedback regulation mechanism of the human pancreas, so as to realize the automation of treatment and monitoring functions, allow a dynamic and closed loop management of blood glucose levels of patients and keep the patients' blood glucose fluctuation rates within a normal or near-normal range.

The system consists of three major components: insulin delivery system (i.e. the patch insulin pump), CGMS and closed-loop control algorithm. As of June 30, 2023, the product has entered the clinical trial phase and was admitted for the Special Procedures for Examination and Approval of Innovative Medical Devices promulgated by the NMPA in May 2023. The Company are also in the process of designing and developing a cloud-based AI-powered artificial pancreas. As an integral part of the Company's closed loop solutions, the product will synthesize advanced analytical tools, function through AI-powered algorithms and will constantly provide personalized blood glucose management solutions to users.

IVD Products

BGMS

Since the establishment of the Company, we have developed and commercialized 15 types of blood glucose meters and seven types of test strips in China. In addition, our BGMS products have received marketing approvals in major overseas markets, including FDA and CE marking of the EU. So far, we have developed and commercialized 12 types of blood glucose meters and six types of test strips abroad. By using the BGMS, the Company can reach a wider range of diabetic patients, establish and expand sales channels, accumulate customer resources, and support the expansion of the Company's innovative medical devices such as patch insulin pump system, CGMS, and closed-loop artificial pancreas system in the market.

Exactive Pro — Blood Glucose, Ketone, Uric Acid Monitory System

The Exactive Pro — blood glucose, blood ketone, uric acid monitory system can detect blood glucose, blood ketone and uric acid concentrations, meeting the needs of self-monitoring various health indicators for diabetic patients, ketoacidosis, hyperuricemia, and gout patients. The Exactive Pro — blood glucose, blood ketone, uric acid monitory system obtained CE certification in May 2022. In terms of the domestic market, as of the date of this announcement, the Exactive Pro, a system that can be used for testing blood glucose, ketone and uric acid was approved in China, and becomes the first integrated product in China to provide the monitoring for the above three indicators without requiring code adjustment.

IVocare Multifunctional POCT

IVocare is a multi-functional and real-time testing system product, covering a fluorescence immunoassay analyzer and three supporting test reagent kits for detecting HbA1c, MAU and hs CRP+CRP.

Diabetes Digital Management Software

The Company has also made breakthroughs in the digital blood glucose management field. With the “Jiantang Hospital-wide Blood Glucose Management System” and the cloud-based diabetes platform, the Company has achieved real-time docking and remote data sharing of blood glucose monitoring and treatment equipment, such as BGMS, CGMS, and patch insulin pump systems. Through the system, doctors and nurses can monitor the blood glucose data and insulin infusion status of patients of various departments on a real-time basis. They can also intervene in high or low blood glucose events promptly, and handle low drug dosage/low battery alarms of equipment, and equipment malfunctions. Patients can independently view their blood glucose and insulin infusion status during hospitalization and home care, increasing their participation in blood glucose management. Patients can also authorize medical personnel to view and intervene in patients’ treatment and management programs in a timely manner through the outpatient management function. The “Jiantang Hospital-wide Blood Glucose Management System” has made entries into more than 1,000 hospitals. Currently, more than 5,000 doctors and nurses are using the system, which constructs the integrated management plan for diabetes within and outside the hospitals. The system has successfully won the “China Hospital High-Quality Development and Professional Promotion Project — 2022 Preferred Solution • Golden Ruyi Award” (中國醫院高質量發展專業促進工程 — 2022優選解決方案 • 金如意獎). The “Digital Diabetes Management Centre based on Jiantang Doctor System” jointly built by us and primary hospitals, was selected as a typical case of grassroots health informatisation construction and won the honorary award of “Digital Empowerment Health”.

The Company is developing a cloud-based diabetes management platform incorporating the “Jiantang Hospital-wide Blood Glucose Management System”, which can provide comprehensive blood glucose management solutions for hospitals and integrate blood glucose management both inside and outside the hospital, to optimize the effectiveness of blood glucose management for diabetes patients. Such product is currently in the registration stage.

According to the warning statement in Rule 18A.08(3) of the Listing Rules: we cannot ensure that we will ultimately be able to successfully develop and market our Core Products and other products. Shareholders and potential investors of the Company are advised to exercise caution when dealing in shares of the Company.

Our Platform

We have established a strong platform of R&D, manufacturing and commercialization capabilities in the field of diabetes monitoring and treatment devices.

R&D

Our R&D team includes scientists, as well as elite engineers and seasoned experts who graduated from world renowned universities and served top international medical device companies. Our R&D team has outstanding interdisciplinary capabilities in the relevant fields, such as biomedical science, materials science, mechanical engineering, electrical engineering, software engineering, communication engineering and signal processing, electrochemistry, mathematics (algorithm) and artificial intelligence. Our key R&D staff have, on average, over 15 years of relevant R&D experience.

Externally, we have built long-standing relationships with industry KOLs, including well-known medical professionals and clinical experts. We leverage their meaningful insights and recommendations to steer our R&D process towards the unmet clinical needs.

With strong independent innovation and R&D capabilities, we were recognised as a national-level Specialized, Refined, Differential and Innovative “Little Giants” Enterprise, as well as the “Specialized, Refined, Differential and Innovative” enterprise in Zhejiang Province, and designated as the Key Diabetes Research Center in Zhejiang Province, China. In particular, our Core Product, Equil, was designated as an Innovative Medical Device Product by the PRC Ministry of Science and Technology, and our AiDEX and the closed loop artificial pancreas system “Hybrid Closed Loop Insulin Delivery System” have been certified and approved by the NMPA to be applicable to the Special Procedures for Examination and Approval of Innovative Medical Devices issued by the NMPA. With our technological innovation and research and development capabilities in the field of medical devices, we have successfully been selected as one of “2023 Hangzhou Headquarters Enterprises”. Our team, focusing on the R&D of an intelligent cognitive computed based closed-loop artificial pancreas system, was also awarded as “Leading Innovative Team” by the Science and Technology Department of Zhejiang Province. The establishment and application of our artificial intelligence cloud-based management platform for children and adolescents with diabetes was selected as a National Major Scientific Research Program under the 13th Five-Year Plan and has passed the acceptance inspection. The innovation team’s program of “an intelligent cognitive computed based closed-loop artificial pancreas system” undertaken by us has passed the acceptance inspection as a program under the Science and Technology Plan of Zhejiang Province.

Manufacturing

The Company owns a manufacturing facility with an aggregate area of approximately 15,000 sq.m. in Hangzhou, China, for the manufacturing of our products and product candidates. Our manufacturing facility complies with GMP regulations in the U.S., the EU and China and adheres to strict production and quality control standards to ensure high product quality and safety. We conduct all the key manufacturing procedures in-house. In recent years, we have accumulated a wealth of expertise and skills in the production of diabetes monitoring medical devices, providing us with a solid foundation for rapid growth. We gradually introduced automated production lines for CGMS and optimized the manufacturing process through efficient production throughout all production links, such as material transfer and product production, so as to improve production efficiency, further enhance product quality and reduce production costs.

Commercialization

The Company uses a combination of our in-house sales and marketing team and a network of independent distributors to sell our products in China and globally. Our marketing strategy focuses on building awareness for the benefits of our products and generating demand and acceptance for our products among healthcare professionals and patients through our user-centric and clinical-data-driven promotion. Our highly trained sales and marketing team focuses on interacting with physicians and patients to educate them about, and train them in the use method of, our products. Subsequently, we set up branches in Beijing and Shanghai, as well as subsidiaries in Nanjing and Germany, to provide our local colleagues with offline support, which is conducive to our business development in different regions. Furthermore, we established a complete e-commerce and brand innovation team that will directly sell our products to a wider customer base through our online sales. We continued to expand our marketing and sales personnel in specialized hospitals, retail pharmacies and e-commerce channels, and continued to cooperate with endocrine/diabetes professional societies for diabetes therapy education, as well as carried out user education and training, promotion of dynamic blood sugar management philosophy, and branding and product trials through new media channels.

We actively participate in domestic and international medical device exhibitions to expand the visibility and influence of our products and the concept of one-stop blood glucose management in professional fields at home and abroad. We maintain good cooperation with major diabetes associations in China, including close collaboration with Chinese Diabetes Society, Chinese Society of Endocrinology, the Diabetes Nursing Committee of the Chinese Nursing Association, and associations across provinces and cities, through which not only more doctors and patients develop a better understanding of the entire system products and management platform of MicroTech, but also expand our product awareness and penetration rates. In the first half of 2023, we participated in the Arab Health, the 16th International Conference on Advanced Technologies & Treatments for Diabetes (ATTD), Wroclawskie Spotkania z Endokrynologia i Diabetologia Dzieci, HOSPITALAR 2023, and China International Medical Equipment (Spring) Fair (CMEF), showcasing our innovative achievements in blood glucose management and chronic disease treatment and expanding our reach to new foreign market channels including Russia, Asia Pacific and Latin America.

We continued to actively advocate the concept of dynamic blood glucose management, and effectively promoted its popularization in China. We collaborated with People’s Daily Health APP and JD Health to launch the first “6 • 9 China Stable Blood Glucose Day” event. By wearing our products before the public, we not only benefit more patients but also promote our concept of dynamic blood glucose management more widely, allowing more patients to understand our dynamic blood glucose monitoring products.

FINANCIAL REVIEW

Overview

The following discussion is based on and should be read in conjunction with the financial information and accompanying notes included elsewhere in this announcement.

Operating Income

During the Reporting Period, we generated most of our operating income from sales of medical devices, including insulin pump system, BGMS and CGMS and others.

For the six months ended June 30, 2023, the Group’s operating income was RMB110.8 million, representing an increase of 54.3% from RMB71.8 million for the six months ended June 30, 2022. The increase in operating income was mainly due to the rapid growth of innovative products, such as CGMS AiDEX and patch insulin pump system Equil, as well as the swift growth of BGMS. These above-mentioned growths were benefited from our further expansion into overseas markets and domestic online channels, as well as our efforts in promoting doctor-patient education and popularizing the blood sugar management philosophy.

The following table sets forth a breakdown of our unaudited operating income:

	For the six months ended June 30,			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Insulin pump system	40,041	36.1	24,639	34.3
BGMS	46,467	42.0	32,508	45.3
CGMS	21,641	19.5	12,867	17.9
Others	2,665	2.4	1,810	2.5
Total	<u>110,814</u>	<u>100.0</u>	<u>71,824</u>	<u>100.0</u>

Operating Cost

Our operating cost primarily consists of material costs, staff costs and others.

For the six months ended June 30, 2023, the Group's operating cost was RMB53.2 million, representing an increase of 32.8% from RMB40.1 million for the six months ended June 30, 2022. The above increase was mainly due to the increase in staff costs and raw material costs as a result of an increase in sales volume.

Gross Profit and Gross Margin

For the six months ended June 30, 2023, the Group's gross profit was RMB57.6 million, representing an increase of 81.3% from RMB31.8 million for the six months ended June 30, 2022. Our gross margin increased from 44% for the six months ended June 30, 2022 to 52% for the six months ended June 30, 2023, mainly due to the increase in the average price of products, as well as the expanding production scale of the Company and initially demonstrating scale effect.

Selling Expenses

Our selling expenses increased by 76.7% from RMB39.0 million for the six months ended June 30, 2022 to RMB68.9 million for the six months ended June 30, 2023, mainly due to the expansion of marketing teams and an increase in marketing costs.

Administrative Expenses

Our administrative expenses increased by 57.5% from RMB14.3 million the six months ended June 30, 2022 to RMB22.6 million for six months ended June 30, 2023, mainly due to the increase in staff costs and intermediary agency fees.

Research and Development Expenses

Our research and development expenses increased by 30.2% from RMB24.6 million for the six months ended June 30, 2022 to RMB32.0 million for the six months ended June 30, 2023, primarily due to an increase in staff costs and experimental materials.

The following table sets forth a breakdown of our unaudited research and development expenses:

	For the six months ended June 30,			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs	16,558	51.7	12,044	49.0
Depreciation and amortization	1,660	5.2	1,619	6.6
Service fees	4,761	14.9	4,692	19.1
Raw material costs	7,609	23.8	5,378	21.9
Travelling and entertainment expense	494	1.5	407	1.7
Others	935	2.9	445	1.7
Total	<u>32,017</u>	<u>100.0</u>	<u>24,585</u>	<u>100.0</u>

Income Tax Expense

Our income tax expense was nil for the six months ended June 30, 2022 and 2023.

Total Profit

As a result of the foregoing, we incurred losses of RMB7.9 million and RMB18.7 million for the six months ended June 30, 2022 and the six months ended June 30, 2023, respectively.

Loans and Gearing Ratio

As of June 30, 2023, the Group had no interest-bearing bank and other borrowings. The gearing ratio is calculated at the Group's debts divided by assets. As of June 30, 2023, the Group's gearing ratio was 3.08%.

Significant Investment Held

The Group had no significant investment held during the six months ended June 30, 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended June 30, 2023.

Capital Expenditure

For the six months ended June 30, 2023, the total capital expenditure of the Group amounted to approximately RMB7.8 million, primarily for upgrading our existing product lines and purchasing new machinery.

Contingent Event

As at June 30, 2023, the Group (i) was not involved in any material legal proceeding, nor aware of any pending or potential material legal proceedings involving us, and (ii) had no contingent liabilities.

The Company has a pending arbitration matter with an overseas customer involving a distribution agreement. This customer filed a request for arbitration with the International Court of Arbitration of the International Chamber of Commerce (“ICC”) alleging a breach of the distribution agreement by the Company, claiming that the Company should compensate for its loss. The Company also believes that such customer has breached the distribution agreement and has instructed its attorney to file a counterclaim, claiming that such customer should compensate the Company for its loss.

As of the date of this announcement, the arbitration matter has recently completed the panel formation procedure and is still in the stage before the submission of the first round of pleadings, and the arbitration case does not involve disputes over the Company’s core technology or patent ownership, nor will it have a material adverse impact on the Company’s business operations.

Charge of Assets

As at June 30, 2023, the Group did not charge any assets as securities for borrowings.

Future Plans for Material Investments and Capital Assets

As at June 30, 2023, the Group did not have any specific plan for material investments and capital assets.

Foreign Exchange Risks

We are exposed to foreign exchange rate risks. Certain of our bank balances, trade receivables and other payables are denominated in foreign currencies and are thus exposed to foreign exchange risks.

We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Employees and Remuneration

As of June 30, 2023, we had 742 employees (excluding non-regular employees).

To maintain the quality, knowledge and skill levels of our workforce, the Group provides continuing education and training programs, including internal and external training, for our employees to improve their technical, professional or management skills, and to ensure their awareness and compliance with our policies in various aspects.

We provide various incentives and benefits to our employees. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees. We provide social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds and other benefits for our employees in accordance with applicable PRC laws.

FUTURE PROSPECTS AND OUTLOOK

Continue to improve the market share and brand reputation of the patch insulin pump Equil in the Chinese market

According to CIC data for 2021, out of 130 million people living with diabetes in China, there are still millions of people with diabetes who are suitable for insulin pump therapy but have not received or are not aware of intensive insulin therapy, and accordingly the market potential is huge. We expect the market size of China's insulin pump market to grow significantly due to the increasing recognition of insulin pumps for their clinical efficacy, the wider adoption of intensive insulin therapy, and other factors.

Since its commercialization in China, patch insulin pump Equil has been sold in 30 provinces, municipalities and autonomous regions in mainland China. Internationally, in order to promote our Equil in global commercialization, we strengthened the promotion of offshore channels of products and the local marketing by international business personnel, the establishment of wider sales channels and networks, which have promoted our products in the local reputation. We also tightened cooperation with the local distributors through irregular training. These provide a sound foundation for our sales growth going forward. Meanwhile, the utilization of the "Jiantang Hospital-wide Blood Glucose Management System" in more hospitals will continue to expand the sales of patch insulin pump Equil in the hospital channel for us. Patch insulin pump was included in the "Guidelines for Insulin Pump Therapy in China". As the first and only patch insulin pump product currently approved in China, we believe the Equil brand will continue to benefit from the public's improved awareness of active management and treatment of diabetes and patients' demands for more portable and more affordable products. The Company expanded its sales, marketing and customer service teams to promote our products and services in the hospitals and individual user markets. We will

make comprehensive use of the internal marketing team and the distributor network to reach the patient end-users, continue to provide product on-site display and training courses to popularize intensive insulin therapy, and regularly participate in seminars with top KOLs and medical experts to enhance the acceptance of insulin pump therapy in diabetic patient group, continuing to expand the accessibility and popularity of Equil brand products.

Continue to commercialize AiDEX CGMS in the PRC market

As the first marketed calibration-free, real-time CGMS in China, AiDEX adopts a number of core technologies pioneered in China with a clinical advantage that no fingertip blood calibration is required for the maximum usage of 14 days. The results of the multicenter clinical study of the product have been published in internationally renowned journals previously. The product's mean absolute relative difference (MARD) is 9.08% as compared with the venous blood reference value, which is at the international leading level.

The Company will continue to expand the production capacity of its factory to meet the growing market demand. We will enlarge our training, service and sales teams, focus on promoting AiDEX brand products in the hospital professional market, retail channels, e-commerce and health management platforms, and continue to provide high-quality blood glucose management services to various types of diabetics. The Company will also continue to cooperate with diabetes professional societies and medical institutions to advocate internationally accepted diabetes management standards (namely, to manage blood sugar levels within the “time in target range” which is known as “Time-in Range”), to remind Chinese diabetics to pay attention to daily blood glucose management and control the progression of the disease. With the increase in public awareness of the importance of chronic disease management, and with the performance advantages and excellent clinical performance of AiDEX products, combined with the Company's professional accumulation and channel advantage in the field of diabetes over the years (it has built commercialization teams for insulin pumps and BGMS and successfully commercialized “Exactive EQ (倍穩)” brand blood glucose meter, Equil brand patch insulin pump and other products), we anticipate that the market share of AiDEX products in China's blood glucose monitoring product market will continue to grow.

Continue to increase the market share in the international market, and become an international leading brand in the field of diabetes devices

The Company's long-term strategic goals include becoming a leading brand of diabetes treatment and monitoring devices in the international market, with expansion into the European and emerging markets as a strategic focus of the Company. The advantages of our products, combined with the Company's market expansion capabilities, will allow the Company to benefit from the higher level of medical expenses and insurance coverage in the above-mentioned regions, as well as the higher acceptance of intensive diabetes treatment and continuous monitoring and management therapy by local physicians and patients.

Currently, the Company has successfully expanded market access and product sales in more than ten countries in Europe, as well as in the Middle East, North Africa and other countries. Our Equil brand has been sold and used in Italy, the Netherlands, Poland, Israel, and other countries, and has been well received by local physicians and patients. The Company's AiDEX CGMS product has now entered the core European markets such as the United Kingdom and Italy. In 2023, we expect that AiDEX products will continue to be marketed and promoted in more European countries, with access to local medical insurance/commercial insurance systems. A number of the Company's BGMS products have also been sold in Europe, Latin America, Asia Pacific and other countries, and have maintained continuous growth.

Continue to promote the research and development of pipeline products in the field of diabetes treatment and monitoring

The Company will continue to invest in technological innovation and product research and development to enhance the Company's long-term competitive advantage in the diabetes and chronic disease management industry. In 2023, we will continue to promote the development and clinical registration of product candidates under development as scheduled, complete the expansion of indications of Equil and CGMS for children and adolescents, and promote the clinical and registration work of the artificial pancreas system and the next generation of AiDEX X CGMS. Besides, the Company will continue to invest in the upgrading and optimization of the existing products and the development and optimization of digital management platform, and will be dedicated to providing medical professionals and diabetic patients with products and disease management tools with better clinical outcomes, easier use, and more affordable costs.

Events after the Reporting Period

There were no events of material impact on the Group since June 30, 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

The Company is committed to ensuring high standards of corporate governance and has adopted the code provisions set out in the CG Code. During the Reporting Period, the Company has complied with all the applicable code provisions in the CG Code, save for the deviation from code provision C.2.1.

Code provision C.2.1 of the CG Code provides that the roles of the chairman of the Board and the chief executive should be separated and should not be performed by the same individual. The roles of the Chairman and the CEO are currently held by Dr. Zheng. The Board believes that, in view of his experience, personal profile and his roles in the Company, Dr. Zheng is the Director best suited to identify strategic opportunities and as the focus of the Board due to his extensive understanding of our business as the CEO. The Board also believes that vesting the roles of both the Chairman and the CEO in the same person has the benefit of (i) ensuring consistent leadership within the Group, (ii) enabling more effective and efficient overall strategic planning and execution of strategic initiatives of the Board, and (iii) facilitating the flow of information between the management and the Board for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this arrangement will enable the Company to make and implement decisions promptly and effectively.

Further, the decisions to be made by the Board require approval by at least a majority of the Directors and that the Board comprises two Non-executive Directors and four Independent Non-executive Directors, which the Company believes that there are sufficient checks and balances in the Board. Dr. Zheng and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they shall act for the benefit and in the best interest of the Company and will make decisions for the Group accordingly.

The Board will continue to review and consider splitting the roles of the Chairman and the CEO of the Company at the time when it is appropriate by taking into account the circumstances of the Group as a whole.

The Board will examine and review, from time to time, the Company's corporate governance practices and operations in order to meet the relevant provisions under the Listing Rules.

Compliance with Model Code

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code. Specific enquiries have been made to all the Directors and they have confirmed that they complied with the Model Code during the Reporting Period.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2023 (2022: Nil).

Adoption of CASBE

Reference is made to the announcements of the Company dated April 26 and May 18, 2023 and the circular of the Company dated April 26, 2023, in relation to, among others, the adoption of the China Accounting Standard for Business Enterprises (the "CASBE"). Starting from the Reporting Period, the Company has adopted the CASBE in the preparation of the financial statements of the Company.

Review of the Interim Results

The Audit Committee has considered and reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2023 and the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2023 are in compliance with the relevant accounting standards, laws and regulations.

Publication of Interim Results and Interim Report

This results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the Company's website (www.microtechmd.com).

The 2023 interim report of the Company containing all relevant information required under the Listing Rules will be published on the aforementioned websites and dispatched to the Shareholders of the Company in due course.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“artificial pancreas system”	an integrated diabetes management system that tracks blood glucose levels using a continuous glucose monitor and automatically delivers the insulin when needed using an insulin pump according to its control algorithm
“Audit Committee”	the audit committee of the Board
“BGMS”	blood glucose monitoring system
“blood glucose”	blood glucose, also referred to as blood sugar, is the amount of glucose in your blood, an indicator of diabetes monitoring
“Board” or “Board of Directors”	the board of Directors of our Company
“calibration-free”	also known as “factory-calibrated”, the ability to use the sensor without the need for BGMS calibration; while users may opt to calibrate at his/her own discretion, a calibration-free CGMS does not require the user to perform a finger stick blood glucose calibration before displaying the glucose values
“CE marking”	a certification marking that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
“CEO” or “Chief Executive Officer”	chief executive officer of our Company
“CG Code”	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
“CGMS”	continuous glucose monitoring system
“Chairman”	chairman of the Board
“China” or “PRC”	the People’s Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires otherwise, references in this announcement to “China” and the “PRC” do not apply to Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“CIC”	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
“Company”, “our Company”, “the Company”, “MicroTech” or “MicroTech Medical”	MicroTech Medical (Hangzhou) Co., Ltd.* (微泰醫療器械(杭州)股份有限公司), a limited liability company incorporated in the PRC on January 20, 2011 and converted into a joint stock limited liability company incorporated in the PRC on November 6, 2020, whose stock code is: HK2235
“Core Product”	Equil Patch Insulin Pump System, the designated “core product” as defined under Chapter 18A of the Listing Rules
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the directors of the Company
“Domestic Share(s)”	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which are subscribed for or credited as paid in Renminbi
“Domestic Unlisted Share(s)”	Domestic Share(s) and Unlisted Foreign Share(s)
“Dr. Zheng”	Dr. Zheng Pan (鄭攀), the chairman of the Board, an executive Director, the Chief Executive Officer and a member of the single largest group of Shareholders
“FDA”	U.S. Food and Drug Administration
“GMP”	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
“Group”, “our Group”, “our”, “we” or “us”	the Company and its subsidiaries from time to time

“H Share(s)”	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.0 each, which is/are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
“HbA1C”	hemoglobin A1C, one of the indicators in the monitoring and management of diabetes
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange or HKEx”	The Stock Exchange of Hong Kong Limited
“Independent Non-executive Directors”	the independent non-executive Directors of the Board
“IVD”	in vitro diagnostic medical devices, referring to devices such as reagent, calibrator, control material, kit, specimen receptacle, software, instrument, apparatus, equipment, or system, whether used alone or in combination, intended by the manufacturer for tests performed on samples taken from the human body, such as swabs of mucus from inside the nose or back of the throat, or blood taken from a vein or fingerstick
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“MDR”	the European Union Medical Device Regulation
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
“NMPA”	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2023

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.0 each
“Shareholder(s)”	holder(s) of our Share(s)
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

By order of the Board
MicroTech Medical (Hangzhou) Co., Ltd.
Zheng Pan
Chairman of the Board

Hangzhou, the PRC, August 29, 2023

As at the date of this announcement, the board of directors of the Company comprises Dr. Zheng Pan, Dr. Yu Fei, Dr. Shi Yonghui and Ms. Liu Xiu as executive Directors, Mr. Hu Xubo and Ms. Gao Yun as non-executive Directors, and Dr. Li Lihua, Ms. Wang Chunfeng, Mr. Ho Kin Cheong Kelvin and Dr. Cheng Hua as independent non-executive Directors.