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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, 2024**

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2024, together with comparative figures for the six months ended June 30, 2023.

	For the six months ended June 30,		Period-to- Period Change (%)
	2024 RMB (Unaudited)	2023 RMB (Unaudited)	
Operating revenue	150,815,673.60	110,814,418.81	36.1
Gross profit	83,800,432.78	57,614,079.45	45.5
Net loss	(37,735,048.47)	(18,661,588.27)	(102.2)
Loss attributable to owners of the parent	(37,735,048.47)	(18,661,588.27)	(102.2)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted	(0.09)	(0.04)	(125.0)

BUSINESS HIGHLIGHT

In the first half of 2024, we were firmly committed to enhancing the coverage and accessibility of our medical products and services, consistently providing innovative solutions for diabetic patients, and steadily strengthening our core competencies in product research and development, production, and commercialization to drive the high-quality development of our overall business.

During the Reporting Period, we achieved operating revenue of RMB150.8 million, representing an increase of 36.1% from RMB110.8 million in the first half of 2023, among which RMB74.7 million was generated from the sales of CGMS, the revenue of which increased by 245.2% from RMB21.6 million in the first half of 2023. The significant growth in our revenue was mainly attributable to the launch and commercialization of AiDEX X, a new generation of CGMS, in April 2024.

During the Reporting Period, our gross profit was RMB83.8 million, representing an increase of 45.5% from RMB57.6 million in the first half of 2023, and our gross profit margin was 55.6%, representing an increase of 3.6 percentage points from 52.0% in the first half of 2023. The increase in gross profit and gross profit margin was mainly attributable to the significant increase in the share of sales of CGMS and the improvement in the efficiency of our production scale.

During the Reporting Period, our net loss was RMB37.7 million, representing an increase from the corresponding period in the first half of 2023, which was mainly attributable to the increase in selling expenses of RMB34.6 million, which included the stage branding expenses for the launch of the new CGMS AiDEX X, as well as the increase in e-commerce placement at the initial stage of the launching of new products. The increase in selling expenses contributed to the acquisition of a large number of new users for AiDEX X during the initial period of its launch. With the rapid growth of the sales of AiDEX X, we expect sales efficiency to continue to improve and the selling expense ratio to decline in the second half of the year.

During the Reporting Period, with the implementation of cost-reducing and efficiency-enhancing measures, the Company's administrative expenses amounted to RMB19.7 million, representing a decrease of 12.7% from RMB22.6 million in the first half of 2023, and the administrative expense to revenue ratio also decreased from 20.4% in the first half of 2023 to 13.1% in the first half of 2024. As at 30 June 2024, the balance of the Group's monetary funds was RMB1.81 billion, with sufficient cash reserves.

In terms of product R&D pipeline, we insist on independent innovation and self-development. As at the date of this announcement, we have made a number of important progresses, including (1) the new generation of AiDEX X CGMS, which is more superior in performance and more convenient and easy to use, has been approved by the NMPA, and its EU registration is about to be certified. Meanwhile, the indications for pediatric and adolescent patients have entered into the clinical trial stage; (2) the applicability of AiDEX X CGMS has been extended to pediatric and adolescent diabetic patients, and has been approved by the NMPA; (3) PanCares closed-loop artificial pancreas system, which has entered into the innovation review process of the NMPA, has completed clinical trials in several top tertiary hospitals in the country; (4) the Equil Patch Insulin Pump System, which is applicable to children and adolescents with diabetes has been submitted to the NMPA and the European Union for registration; (5) the expansion of the blood glucose meter to newborns (within 30 days of birth), which has been approved by the NMPA. We established the post-doctoral research station to put more effort in the R&D of diabetic treatment. During the Reporting Period, our R&D expenses amounted to RMB34.6 million, representing an increase from RMB32.0 million for the year ended June 30, 2023, which was mainly attributable to the introduction of R&D talents and the increase in clinical trial expenses. We have continued to improve existing products, broaden their scope of application, and developed further new products, which has further optimized our product portfolio and helped us provide more appropriate treatment solutions for different patient groups.

In April 2024, the Company officially announced AiDEX X, a new generation of CGMS, which has significantly enhanced user experience with its features of “thin, light, accurate, and convenient”, and gained favorable comments and support from many medical experts and users. As of the date of this announcement, AiDEX and AiDEX X have accumulated more than 300,000 users. Our Core Product, the Equil Patch Insulin Pump System, is currently used in over 1,000 professional hospitals. The number of hospitals accessed by the Company increased by 18.4% during the Reporting Period, maintaining a leading position among the domestic insulin pumps brands. Meanwhile, the Company, in collaboration with China Primary Health Care Foundation, and Hangzhou Yuhang Charity Association, launched the “No Finger-Piercing, No Sense Glucose Testing” public welfare initiative, aiming to raise public awareness of diabetes management and provide patients with a more convenient and painless solution to blood glucose monitoring. The initiative has received widespread attention and support from all sectors of the community, further demonstrating the Company's unshakable commitment to fulfilling its social responsibility and promoting the popularization of health management.

In the domestic professional market, the Company closely cooperates with professional organizations such as the Diabetes Branch of the Chinese Medical Association, the Endocrine Branch of the Chinese Medical Association, and the Diabetes Specialized Committee of the Chinese Nursing Association in order to actively promote and enhance the understanding among doctors and patients on the full range of MicroTech products and the system management platform. At the same time, the Company demonstrated MicroTech's products to experts and scholars in the field of endocrinology in China by participating in events such as the 21st National Conference on Endocrinology (CSE) of the Chinese Medical Association (CMA). By actively launching specialized training on the "Code of Therapeutic Care Management of Insulin Pumps" and "Insulin Pump Practitioner Training", the Company also further enhanced the professional skills of healthcare personnel in the use and management of insulin pumps to ensure that the therapeutic effects of treatment are maximized.

We have continued to expand our e-commerce channels and have now achieved direct connectivity with end-users through major e-commerce platforms such as JD.com, Tmall, Douyin and Pinduoduo, as well as new media platforms such as WeChat video, Kuaishou, Xiaohongshu and Baidu. During the 2024 Douyin 618 Trendy Products Festival, the overall sales of MicroTech's flagship store ranked first in the dynamic blood glucose meter category. At the same time, the Company has also achieved remarkable results in distribution e-commerce. Compared with the first half of 2023, the number of partners and business scale have more than doubled, which further broadened our market coverage and provided a strong foundation for the business growth in the second half of the year and the coming year.

In the international market, Equil Patch Insulin Pump System, the Company's Core Product, and AiDEX CGMS products have both commenced marketing in over 30 countries and regions, and have been entering into the local medical and commercial insurances system gradually. As of the date of this announcement, the approval of AiDEX CGMS system in Brazil has been granted, marking the Company's formal entry into the Brazilian market. Meanwhile, the new generation of CGMS (international brand name: LinX) has been launched for sale in some countries in the Middle East and Asia Pacific. We will continue to promote the Company's innovations in blood glucose management and digital technology, as well as explore markets such as the Middle East and some countries in Asia Pacific in conjunction with our local partners. To enhance the promotions of global markets, the Company continues to recruit marketing, training and customer service teams to accelerate our products' healthcare access in local markets, and actively engage the social media platforms to further increase our market share and brand awareness. In order to further expand into the international market and enhance the Company's global competitiveness, we have initiated a cross-border e-commerce business deployment. During the Reporting Period, the Company actively participated in a number of exhibitions in UAE, Germany, Brazil, and Thailand, where we showcased our latest products and technologies and consolidated our ties with international customers and partners.

As of the date of this announcement, we continued to advance the post-marketing clinical studies of our products. In China, we initiated a multi-center study on the Supervised Short-Term Insulin Intensive Therapy for the Reversal of Newly Diagnosed Type 2 Diabetes Mellitus Based on a Patch Insulin Pump and Real-Time Dynamic Glucose Monitoring Technology, and enrollment has begun. In Europe, enrollment in the post-marketing clinical trial of the Equil Patch Insulin Pump System has exceeded 50%. These clinical studies will provide clinical evidence support for the Company's products to enter the medical insurance catalogue of some European countries and drive product sales growth.

As of the date of this announcement, the Company was awarded the title of "Excellent Unit of Artificial Intelligence Medical Device Innovation Appointment List" by the Ministry of Industry and Information Technology, was selected as "High Growth Enterprise of Zhejiang Biomedical Industry" by the Department of Economy and Information Technology of Zhejiang Province, was listed in the inaugural "Enterprise Cultivating Single Champion in the Manufacturing Industry of Zhejiang Province" in 2024 and the CGMS system was acknowledged as "Made in Zhejiang with Excellence" in 2023. In order to meet the growing business demand, the Company is actively promoting the construction of an advanced production manufacturing base in Yuhang District, Hangzhou City, Zhejiang Province, the PRC, to further expand the production capacity of its core products and improve production efficiency, so as to lay a more solid foundation for its future development.

Rooted in the confidence in the Company's future development prospects and recognition of the Company's investment value, and in order to safeguard the Company's value and shareholders' interests, and to further increase investors' confidence, the Company has actively implemented share repurchases, and since its repurchase of H Shares on November 24, 2023, as of the date of this announcement, a total of 5,601,500 H Shares have been repurchased, accounting for 3.3% of the H Shares. Subsequently, the Company will continue to carry out repurchases at appropriate times based on the authorization of the shareholders' meeting and in light of the actual conditions of the capital market, so as to enhance the Company's value and shareholder returns.

CONSOLIDATED INCOME STATEMENT

For the six months ended June 30, 2024

Item	Note	June 30, 2024 (Unaudited) RMB	June 30, 2023 (Unaudited) RMB
I. Operating income	4	150,815,673.60	110,814,418.81
Less: Operating cost		67,015,240.82	53,200,339.36
Tax and surcharges		1,714,722.35	678,542.58
Selling expenses		103,518,453.60	68,918,888.12
Administrative expenses		19,704,244.78	22,566,105.06
Research and development expenses		34,551,341.28	32,017,334.38
Finance costs		(35,102,512.56)	(49,551,310.46)
Including: interest costs		20,590.53	40,463.00
interest income		31,875,977.61	33,823,323.08
Add: Other income		6,691,982.43	971,955.61
Investment income		67,091.29	–
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		140,410.92	–
Impairment loss on credit		(1,842,189.04)	(846,223.28)
Impairment loss on assets		(2,184,455.90)	(1,738,698.57)
Gains on disposal of assets		–	–
II. Operating profit (losses are presented with “-”)		(37,712,976.97)	(18,628,446.47)
Add: Non-operating income		13,381.00	2,377.93
Less: Non-operating expenses		47,188.48	35,519.73
III. Total profit		(37,746,784.45)	(18,661,588.27)
Less: Income tax expenses	5	(11,735.98)	–
IV. Net profit		(37,735,048.47)	(18,661,588.27)
(I) By continuing operation:			
1. Net profit from continuing operations		(37,735,048.47)	(18,661,588.27)
2. Net profit from discontinued operations		–	–
(II) By ownership:			
1. Net profit attributable to owners of			
the parent		(37,735,048.47)	(18,661,588.27)
2. Minority interests		–	–

Item	Note	June 30, 2024 (Unaudited) RMB	June 30, 2023 (Unaudited) RMB
V. Other comprehensive income, net of tax		69,990.90	688,746.46
Other comprehensive income attributable to owners of the parent, net of tax		69,990.90	688,746.46
(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		69,990.90	688,746.46
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		69,990.90	688,746.46
7. Others		-	-
Other comprehensive income attributable to minority interests, net of tax		-	-
VI. Total comprehensive income		(37,665,057.57)	(17,972,841.81)
Total comprehensive income attributable to owners of the parent		(37,665,057.57)	(17,972,841.81)
Total comprehensive income attributable to minority interests		-	-
VII. Earnings per share			
(I) Basic earnings per share		(0.09)	(0.04)
(II) Diluted earnings per share		(0.09)	(0.04)

CONSOLIDATED BALANCE SHEET

As at June 30, 2024

	<i>Note</i>	June 30, 2024 (Unaudited) RMB	December 31, 2023 (Audited) RMB
Current assets			
Cash at bank and on hand		1,805,310,831.60	1,885,880,958.10
Financial assets held for trading		2,748,192.63	6,054,088.59
Derivative financial assets		–	–
Bills receivable		249,440.00	–
Accounts receivable	9	85,813,406.83	73,233,595.56
Receivables financing		–	–
Prepayments		16,129,535.57	10,223,222.56
Other receivables		2,375,308.14	1,413,104.20
Inventories		60,271,504.11	42,114,723.25
Contract assets		–	–
Assets held for sale		–	–
Non-current assets due within one year		–	–
Other current assets		8,404,151.19	4,250,997.96
Total current assets		<u>1,981,302,370.07</u>	<u>2,023,170,690.22</u>
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	95,141,440.61	92,685,508.25
Construction in progress		55,726,629.40	7,946,229.32
Productive biological asset		–	–
Oil and gas assets		–	–
Right-of-use assets		463,499.85	727,703.13
Intangible assets		32,735,539.51	33,741,834.65
Development expenses		–	–
Goodwill		–	–
Long-term deferred expenses		267,189.03	242,031.73
Deferred tax assets		–	–
Other non-current assets		2,267,022.36	267,927.25
Total non-current assets		<u>186,601,320.76</u>	<u>135,611,234.33</u>
Total assets		<u><u>2,167,903,690.83</u></u>	<u><u>2,158,781,924.55</u></u>

	<i>Note</i>	June 30, 2024 (Unaudited) RMB	December 31, 2023 (Audited) RMB
Current liabilities			
Short-term borrowings		20,011,666.67	–
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Bills payable		7,981,657.29	4,417,732.79
Accounts payable	10	56,695,103.37	33,772,276.03
Advance payments received		2,657,229.86	656,002.18
Contract liabilities		12,624,727.47	7,977,773.08
Staff salaries payable		14,750,285.79	19,661,496.14
Taxes payable		7,923,898.39	5,752,216.53
Other payables		27,519,420.34	20,349,685.93
Liabilities held for sales		–	–
Non-current liabilities due within one year		324,329.47	477,807.54
Other current liabilities		333,100.64	313,710.19
		<u>150,821,419.29</u>	<u>93,378,700.41</u>
Non-current liabilities			
Long-term borrowings		–	–
Bonds payable		–	–
Including: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities		55,685.44	165,627.80
Long-term payables		–	–
Long-term staff salaries payable		–	–
Accrued liabilities		4,350,677.99	3,982,756.01
Deferred income		–	–
Deferred tax liabilities		158,544.65	170,280.63
Other non-current liabilities		–	–
		<u>4,564,908.08</u>	<u>4,318,664.44</u>
Total non-current liabilities		4,564,908.08	4,318,664.44
Total liabilities		<u>155,386,327.37</u>	<u>97,697,364.85</u>

	<i>Note</i>	June 30, 2024 (Unaudited) RMB	December 31, 2023 (Audited) RMB
Owners' equity (or shareholders' equity):		–	–
Paid-in capital (or share capital)		425,742,600.00	425,742,600.00
Other equity instruments		–	–
Capital reserve		1,882,785,222.90	1,882,785,222.90
Less: Inventory shares		37,148,477.32	26,246,338.65
Other comprehensive income		803,207.12	733,216.22
Special reserve		–	–
Surplus reserve		–	–
General risk reserve		–	–
Unallocated profit		(259,665,189.24)	(221,930,140.77)
Total equity attributable to owners of the parent		2,012,517,363.46	2,061,084,559.70
Minority interest		–	–
		<hr/>	<hr/>
Total owners' equity		<u>2,012,517,363.46</u>	<u>2,061,084,559.70</u>
Total liabilities and owners' equity		<u>2,167,903,690.83</u>	<u>2,158,781,924.55</u>

CONSOLIDATED STATEMENT OF CASH FLOW

For the six months ended June 30, 2024

Item	June 30, 2024 (Unaudited) RMB	June 30, 2023 (Unaudited) RMB
I. Cash flows from operating activities		
Proceeds from sale of goods and rendering of services	157,666,089.36	128,319,066.08
Refund of taxes	1,368,982.36	3,355,956.27
Proceeds from other operating activities	16,665,825.39	14,796,513.29
Sub-total of cash inflows from operating activities	175,700,897.11	146,471,535.64
Payment for goods and services	86,461,203.30	54,784,424.37
Payment to and for employees	78,620,730.06	70,179,568.32
Payment of various taxes	2,509,520.66	429,935.18
Payment for other operating activities	84,752,124.14	52,878,576.09
Sub-total of cash outflows from operating activities	252,343,578.17	178,272,503.96
Net cash flows from operating activities	(76,642,681.06)	(31,800,968.32)
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	975,967,617.57	288,175,635.13
Sub-total of cash inflows from investing activities	975,967,617.57	288,175,635.13
Payment for acquisition of fixed assets, intangible assets and other long-term assets	41,807,844.48	4,020,011.61
Cash paid for investment	–	–
Net cash paid for acquisition of subsidiaries and other operating units		
Payment for other investing activities	730,573,144.97	713,267,820.00
Sub-total of cash outflows from investing activities	772,380,989.45	717,287,831.61
Net cash flows from investing activities	203,586,628.12	(429,112,196.48)

Item	June 30, 2024 (Unaudited) RMB	June 30, 2023 (Unaudited) <i>RMB</i>
III. Cash flows from financing activities		
Proceeds from investors		
Including: Investments received by subsidiaries from minority interests		
Proceeds from borrowings	20,000,000.00	–
Proceeds from other financing activities		
Sub-total of cash inflows from financing activities	20,000,000.00	–
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	14,455,519.56	282,936.61
Sub-total of cash outflows from financing activities	14,455,519.56	282,936.61
Net cash flows from financing activities	5,544,480.44	(282,936.61)
IV. Effect of changes in exchange rate on cash and cash equivalents	2,414,931.54	3,236,565.19
V. Net increase in cash and cash equivalents	134,903,359.04	(457,959,536.22)
Add: Cash and cash equivalents at the beginning of the period	365,437,783.39	1,084,250,525.65
VI. Cash and cash equivalents at the end of the period	500,341,142.43	626,290,989.43

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, 2024 is presented in Renminbi ("RMB"). The consolidated results for the six months ended June 30, 2024 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, 2024 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, 2023.

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, 2023.

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 the six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB</i>	<i>RMB</i>
Sales of medical devices and consumables	148,453,653.35	108,548,949.39
Provision of services	377,403.89	305,340.35
<i>Revenue from other sources</i>		
Other lease payments, including fixed payments	1,984,616.36	1,960,129.08
	<u>150,815,673.60</u>	<u>110,814,418.81</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	For the six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
	<i>RMB</i>	<i>RMB</i>
Geographical markets		
Mainland China	110,695,273.86	71,550,081.69
Other countries/regions	38,135,783.38	37,304,208.04
	<u>148,831,057.24</u>	<u>108,854,289.73</u>
Timing of revenue recognition		
Goods or services transferred at a point in time	<u>148,831,057.24</u>	<u>108,854,289.73</u>

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% (2023: 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% (2023: 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,	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB	RMB
Current income tax expense	–	–
Deferred income tax expense	(11,735.98)	–
	(11,735.98)	0.00

6. DIVIDENDS

No dividend has been paid or declared by the Company in respect for the six months ended June 30, 2024 (six months ended June 30, 2023: 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, 2024 (Unaudited) RMB	December 31, 2023 (Audited) RMB
Carrying amount at beginning of period	92,685,508.25	89,475,537.83
Additions	4,266,608.26	4,347,119.78
Transferred from construction in progress	3,899,115.09	7,869,837.86
Depreciation provided	(4,868,911.75)	(8,846,092.17)
Provision for impairment	(807,195.63)	–
Disposal or retirement	(33,683.61)	(160,895.05)
	<u>95,141,440.61</u>	<u>92,685,508.25</u>

9. ACCOUNT RECEIVABLES

	June 30, 2024 (Unaudited) RMB	December 31, 2023 (Audited) RMB
Book balance of accounts receivables	93,442,694.69	79,227,568.86
Less: Provision for bad debts	7,629,287.86	5,993,973.30
	<u>85,813,406.83</u>	<u>73,233,595.56</u>

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

Aging	30 June 2024 (unaudited)		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	86,779,686.64	3,653,424.81	4.2
1 to 2 years	2,274,492.80	826,393.26	36.3
2 to 3 years	2,921,168.35	1,700,890.10	58.2
3 to 4 years	349,612.78	333,095.25	95.3
4 to 5 years	341,675.22	339,425.54	99.3
Over 5 years	776,058.90	776,058.90	100.0
Total	<u>93,442,694.69</u>	<u>7,629,287.86</u>	8.2

Aging	31 December 2023 (audited)		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	72,659,985.25	2,608,493.47	3.6
1 to 2 years	3,095,657.61	940,464.79	30.4
2 to 3 years	2,112,869.52	1,127,952.41	53.4
3 to 4 years	388,315.03	349,322.11	90.0
4 to 5 years	257,793.77	254,792.84	98.8
Over 5 years	712,947.68	712,947.68	100.0
Total	<u>79,227,568.86</u>	<u>5,993,973.30</u>	7.6

10. ACCOUNT PAYABLES

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

	June 30, 2024 (Unaudited) RMB	December 31, 2023 (Audited) RMB
Within 1 year	55,798,043.41	32,935,152.33
1 to 2 years	383,448.85	279,187.08
2 to 3 years	27,400.95	501,833.86
Over 3 years	486,210.16	56,102.76
	<u>56,695,103.37</u>	<u>33,772,276.03</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a high-tech company dedicated to the diabetes monitoring, treatment and management, and committed to becoming the global leader in the field of diabetes management and helping diabetes patients lead healthier and better lives. Through our diversified product portfolio and continuous multidisciplinary R&D efforts, we continue meeting clinical product needs. The Company will continue to expand its global market through user-centric and clinical data-driven marketing strategies and a diversified commercialization pipeline. It will continue to increase production capacity to support growth and achieve economies of scale.

With the continuous growth of the Company's revenue, we will continue to recruit professional talents in R&D, production and marketing, and strengthen the building of corporate culture and organizational training, so as to improve the efficiency of the Company's management and operation and thereby supporting our profitability enhancement.

The Company's strategic objectives are to fully capitalize on our strengths in patch insulin pump systems and CGMS, to expand our marketing network, to launch our closed-loop solutions, to increase brand awareness of our innovative products, and to expedite our expansion into international markets. Moreover, we have developed a cloud-based big data diabetes management platform that aims to offer ample clinical benefits and digital convenience to diabetes patients around the world, as well as lowering financial costs in an effective manner.

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 products under development that such as diabetes digital management software. As of June 30, 2024, we had 5 major categories of products and pipeline candidates that have obtained 16 medical device registration certificates in the PRC. In addition, 9 of our products have obtained CE marking in the EU. We also have 1 product which has obtained 510(k) approval from FDA. The following chart summarizes the development progress of our products and product candidates as of the date of this announcement:

Product Line	Product		Major Markets	Competent Authorities/ Notified Body	Pre-clinical	Clinical	Registration	Commercialization
Patch Insulin Pump System	Equil	For adult use	China	NMPA				
			EU	TÜV Rheinland				
	Second-Generation Patch Insulin Pump System	For use by children and adolescents	China	NMPA				
			EU	TÜV Rheinland				
CGMS	AiDEX	For adult use	China	NMPA				
			EU	TÜV Rheinland				
	For use by children and adolescents	China	NMPA					
		EU	TÜV Rheinland					
	AiDEX X (domestic)/LinX (international)	For adult use	China	NMPA				
			EU	TÜV Rheinland				
	For use by children and adolescents	China	NMPA					
		EU	TÜV Rheinland					
Closed-loop Artificial Pancreas System	PanCares Artificial Pancreas System		China	NMPA, TÜV Rheinland				
			EU	TÜV Rheinland				
	Cloud-based AI-powered Artificial Pancreas		China, EU	NMPA, TÜV Rheinland				
IVD	BGMS products		China, EU, US	NMPA, FDA TÜV Rheinland				
	Exactive Pro-Glucose, Blood Ketone, Uric Acid Monitory System		China	NMPA				
			EU	TÜV Rheinland				
Diabetes Digital Management Software	Diabetes management platform based on cloud big data		China	NMPA				

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 pumps, Equil features a tubeless and lightweight design, enabling users to manage diabetes in a more private, convenient and safe manner. Compared to other patch insulin pumps in the market, Equil has a longer reusable lifespan, rechargeable battery, and a unique pump vibration alarm design. In September 2017, Equil received the launch approval for adult use from the NMPA in China. Equil also received CE marking in the EU in the same year. In 2018, Equil was successfully selected into the “Innovative Medical Device Product Catalog (2018)” issued by the Ministry of Science and Technology. It is the only product in the field of diabetes in the catalog, and was included in the “China Insulin Pump Treatment Guidelines”. As of June 30, 2024, Equil is currently used in over 1,000 professional hospitals. The number of hospitals accessed by the Company increased by 18.4%, during the Reporting Period, maintaining a leading position among the domestic insulin pumps brands.

As of the date of this announcement, we have submitted an application for registration of Equil for use by children and adolescents to the NMPA and the EU.

We are developing our second-generation patch insulin pump system, which features a higher waterproof level and a better adaptability to insulin reservoirs with larger capacity as well as offers a more user-friendly operating experience. Our second-generation patch insulin pump system will be equipped with internal control algorithms, which, serves as the core of our closed-loop artificial pancreas system to be used alongside with our CGMS.

CGMS

Compared to traditional blood glucose monitoring methods, continuous glucose monitoring (clinically referred to as dynamic blood glucose monitoring) can provide continuous, comprehensive and reliable blood glucose information throughout the whole day, helping users to have a better understanding of the trends and characteristics of blood glucose fluctuations while relieving the pain of frequent blood sampling.

Our AiDEX CGMS is the second commercialized calibration-free real-time CGMS in the world. The system received the launching approvals from the NMPA and the EU in 2021. Since its launch, AiDEX has demonstrated various advantages over traditional BGMS products, including real-time monitoring, lowering the diabetes patients’ risk of hyper/hypoglycemia, and increasing their compliance to treatment regimen without routine finger prick blood glucose measurements. As of June 30, 2024, we have obtained approval from the NMPA for the application extension of AiDEX to children and adolescents with diabetes.

With proprietary technology, the Company launched a new generation product, AiDEX X (international brand name: LinX), which is the advanced generation of CGMS. AiDEX X/LinX is smaller in size, better in performance and more user-friendly with a fully disposable design. It has been granted with the launch approval by the NMPA in February 2024, and its EU registration is about to be certified. Meanwhile, the indications for pediatric and adolescent patients have entered into the clinical trial stage.

AiDEX and AiDEX X complement each other in meeting the needs of different target groups through synergistic channels, enabling us to rapidly penetrate the market and reach out to a wide range of user segments with our product portfolio. As at the date of this announcement, two generations of products, AiDEX and AiDEX X/LinX, generations of products, have accumulated more than 300,000 users.

Closed-loop Artificial Pancreas System

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

The system consists of three major components: insulin delivery system (the patch insulin pump system), CGMS and closed-loop control algorithm. In May 2023, the product obtained approval of the Special Procedures for Examination and Approval of Innovative Medical Devices promulgated by the NMPA. As of June 30, 2024, PanCares closed-loop artificial pancreas system has completed clinical trials in several top tertiary hospitals in the country.

Moreover, the Company is also in the process of designing and developing a cloud-based AI-powered artificial pancreas. As an integral part of the closed loop solutions, the product will synthesize advanced analytical tools, providing continuous personalized blood glucose management solutions to users through AI algorithms.

IVD Products

BGMS

Since the establishment of the Company, we developed and commercialized 15 types of blood glucose meters and 7 types of test strips in China. In addition, our BGMS products have obtained launch approvals in major overseas markets, including FDA and CE marking of the EU. We have developed and commercialized 12 types of blood glucose meters and 6 types of test strips in the overseas markets. By using the BGMS, the Company can reach a wider range of diabetic patients, expand sales channels, accumulate customer resources, and offer solid support to the promotion of the Company's innovative medical devices such as patch insulin pump system, CGMS, and closed-loop artificial pancreas system in the market.

As of June 30, 2024, the clinical trial of the blood glucose meter with an expanded indication to newborns (within 30 days of birth) received launch approval from the NMPA.

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

The Exactive Pro blood glucose, blood ketone and uric acid monitoring system can detect blood glucose, blood ketones and uric acid concentration simultaneously, meeting the needs of diabetes, ketoacidosis, hyperuricemia and gout patients for self-monitoring of various health indicators. The system has obtained CE marking in 2022 and launch approval from the NMPA in 2023, making it the first integrated product in China to provide monitoring of the above three indicators function without requiring code adjustment.

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, such as BGMS, CGMS, and patch insulin pump systems. The system enables, doctors and nurses to monitor the blood glucose data and insulin infusion status of patients of various departments on a real-time basis, 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 while authorize medical personnel to view and modify patients’ treatment and management programs in a timely manner through the outpatient management function.

As of the date of this announcement, the “Jiantang Hospital-wide Blood Glucose Management System” is employed in more than 1,600 hospitals. Currently, more than 8,000 doctors and nurses are using the system. 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”.

At the same time, we have also developed the “Jiantang OTC Blood Glucose Management System”, which is designed for OTC channel users.

The Company is developing a cloud-based diabetes management platform incorporating the “Jiantang Hospital-wide 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.

We cannot ensure that we will ultimately be able to successfully develop and market our Core Product 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 consists of 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 16 years of relevant R&D experience.

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, 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. In addition, 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 is located in Hangzhou, Zhejiang Province, China and owns a manufacturing facility with an aggregate area of approximately 15,000 sq.m., 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 output, quality and safety. We conduct all the key manufacturing procedures in-house, accumulating a wealth of expertise and skills. In recent years, we accumulated significant breakthrough 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 further improve production efficiency, enhance product quality and reduce production costs.

To meet the Company's growing business demand, we are actively pushing forward the construction of an advanced production manufacturing base in Yuhang District, Hangzhou, Zhejiang Province, China. The base, which commenced construction in 2023, will mainly be used to expand the production capacity of its Core Product. The new production base will be equipped with advanced production equipment and technology to increase capacity and production efficiency. Meanwhile, we will continue to follow strict quality control standards to ensure the quality and safety of our products. This initiative will further enhance the Company's production capabilities to meet the growing market demand and lay a more solid foundation for the Company's future development.

Commercialization

In respect of commercialization, one of our products, AiDEX CGMS, achieved sales revenue of RMB74.7 million for the Reporting Period, representing an increase by 245.2% from RMB21.6 million in the first half of 2023. It has accumulated more than 300,000 users. Our Core Product is used in over 1,000 professional hospitals. During the Reporting Period, the number of hospitals accessed by the Company increased by 18.4%, and the number of new users maintained a leading position among the domestic insulin pumps brands. Meanwhile, the Company, in collaboration with China Primary Health Care Foundation, Hangzhou Yuhang Charity Association and MicroTech Medical, launched the "No Finger-Piercing, No Sense Glucose Testing" public welfare initiative, aiming to raise public awareness of diabetes management and provide patients with a more convenient and painless solution to blood glucose monitoring. The initiative has received widespread attention and support from all sectors of the community, further demonstrating the Company's unshakable commitment to fulfilling its social responsibility and promoting the popularization of health management.

In the domestic professional market, the Company closely cooperates with professional organizations such as the Diabetes Branch of the Chinese Medical Association, the Endocrine Branch of the Chinese Medical Association, and the Diabetes Specialized Committee of the Chinese Nursing Association in order to actively promote and enhance understanding among doctors and patients on the full range of MicroTech products and the system management platform. At the same time, the Company demonstrated MicroTech's products to experts and scholars in the field of endocrinology in China by participating in events such as the 21st National Conference on Endocrinology (CSE) of the Chinese Medical Association (CMA). By actively launching specialized training on the "Code of Therapeutic Care Management of Insulin Pumps" and "Insulin Pump Practitioner Training", the Company also further enhanced the professional skills of healthcare personnel in the use and management of insulin pumps to ensure that the therapeutic effects of treatment are maximized.

The Company has established a dedicated customer operation and maintenance team to provide standardized user care services and to enhance the efficiency and effectiveness of after-sales services. We have also implemented a fine-tuned tiered operation strategy to provide personalized patient education content for users with different disease types and treatment modalities, so as to enable diabetic patients to better manage their blood glucose and thereby achieving a comprehensive improvement in their quality of life.

We have continued to expand our e-commerce channels and have now achieved direct connectivity with end-users through major e-commerce platforms such as JD.com, Tmall, Douyin and Pinduoduo, as well as new media platforms such as WeChat video, Kuaishou, Xiaohongshu and Baidu. During the 2024 Douyin 618 Trendy Products Festival, the overall sales of MicroTech's flagship store ranked first in the dynamic blood glucose meter category. At the same time, the Company has also achieved remarkable results in distribution e-commerce. Compared with the first half of 2023, the number of partners and business scale have more than doubled, which not only broadened our market coverage but also provided a strong foundation for the business growth in the second half of the year and the coming year.

In the international market, Equil Patch Insulin Pump System, the Company's Core Product, and AiDEX CGMS products have both commenced marketing in over 30 countries and regions, and have been entering into the local medical and commercial insurances system gradually. As of the date of this announcement, the approval of AiDEX CGMS system in Brazil has been granted, marking the Company's formal entry into the Brazilian market. Meanwhile, the new generation of CGMS (international brand name: LinX) has been launched for sale in Middle East and some countries in the Asia-Pacific. We will continue to promote the Company's innovations in blood glucose management and digital technology, as well as explore markets such as Europe, the Middle East, Southeast Asia and Latin America in conjunction with our local partners. In respect of global market promotion, the Company continues to recruit marketing, training and customer service teams to accelerate our products' healthcare access in local markets, and actively engage the social media platforms to further increase our market share and brand awareness. In order to further expand into the international market and

enhance the Company's global competitiveness, we have initiated a cross-border e-commerce business deployment. During the Reporting Period, the Company actively participated in a number of exhibitions in UAE, Germany, Brazil and Thailand, where we showcased our latest products and technologies and consolidated our ties with international customers and partners.

As of the date of this announcement, we continued to advance the post-marketing clinical studies of our products. In China, we initiated a multi-center study on the Supervised Short-Term Insulin Intensive Therapy for the Reversal of Newly Diagnosed Type 2 Diabetes Mellitus Based on a Patch Insulin Pump and Real-Time Dynamic Glucose Monitoring Technology, and enrollment has begun. In Europe, enrollment in the post-marketing clinical trial of the Equil Patch Insulin Pump System has exceeded 50%. These clinical studies will provide clinical evidence support for the Company's products to enter the medical insurance catalogue of some European countries and further drive product sales growth.

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 Revenue

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

For the six months ended June 30, 2024, the Group's operating revenue was RMB150.8 million, representing an increase of 36.1% from RMB110.8 million for the six months ended June 30, 2023. The increase in the operating revenue was mainly attributable to the high rate of revenue growth from the launch and commercialization of AiDEX X, a new generation of CGMS in April 2024.

The following table sets forth a breakdown of our unaudited operating revenue for the six months ended June 30, 2024 and 2023, respectively:

	For the six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Insulin pump system	39,687	26.3	40,041	36.1
CGMS	74,715	49.5	21,641	19.5
BGMS	33,438	22.2	46,467	42.0
Others	2,976	2.0	2,665	2.4
Total	<u>150,816</u>	<u>100.0</u>	<u>110,814</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, 2024, the Group's operating cost was RMB67.02 million, representing an increase of 26.0% from RMB53.2 million for the six months ended June 30, 2023. 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 Profit Margin

For the six months ended June 30, 2024, the Group's gross profit was RMB83.80 million, representing an increase of 45.5% from RMB57.61 million for the six months ended June 30, 2023. Our gross profit margin increased from 52.0% for the six months ended June 30, 2023 to 55.6% for the six months ended June 30, 2024, mainly due to the significant increase in the share of sales of CGMS and the improvement in the efficiency of our production scale.

Selling Expenses

Our selling expenses increased by 50.2% from RMB68.92 million for the six months ended June 30, 2023 to RMB103.52 million for the six months ended June 30, 2024, mainly due to the expansion of online sales channels and increased spending on new product promotion.

Administrative Expenses

Our administrative expenses decreased by 12.7% from RMB22.57 million for the six months ended June 30, 2023 to RMB19.70 million for the six months ended June 30, 2024, mainly due to the results of the cost reductions and efficiency gains.

Research and Development Expenses

Our research and development expenses increased by 7.9% from RMB32.02 million for the six months ended June 30, 2023 to RMB34.55 million for the six months ended June 30, 2024, primarily due to the introduction of R&D talents and clinical trial expenses.

The following table sets forth a breakdown of our unaudited research and development expenses for the six months ended June 30, 2024 and 2023, respectively:

	For the six months ended June 30,			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Staff costs	17,929	51.9	16,558	51.7
Depreciation and amortization	1,527	4.4	1,660	5.2
Service fees	9,974	28.9	4,761	14.9
Raw material costs	3,632	10.5	7,609	23.8
Travelling and entertainment expense	404	1.2	494	1.5
Others	1,085	3.1	935	2.9
Total	<u>34,551</u>	<u>100.0</u>	<u>32,017</u>	<u>100.0</u>

Income Tax Expense

Our income tax expense was RMB-0.01 million for the six months ended June 30, 2024 (for the six months ended June 30, 2023: Nil).

Net Profit

As a result of the foregoing, we incurred loss of RMB18.66 million for the six months ended June 30, 2023 and loss of RMB37.74 million for the six months ended June 30, 2024.

Loans and Gearing Ratio

As of June 30, 2024, the Group had short-term borrowings (inclusive of interest) of RMB20.01 million. The gearing ratio is calculated at the Group's debts divided by assets. As of June 30, 2024, the Group's gearing ratio was 7.2% (as of June 30, 2023: 3.1%).

Significant Investment Held

The Group had no significant investment held during the six months ended June 30, 2024.

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, 2024.

Contingent Event

As of June 30, 2024, 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.

Charge of Assets

As of June 30, 2024, the Group did not charge any assets as securities for borrowings.

Future Plans for Material Investments and Capital Assets

As of June 30, 2024, 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, 2024, we had 750 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

Expanding the market share and brand reputation of our Core Product

According to CIC in 2021, China has 130 million diabetic patients, of which millions are still suitable for insulin pump therapy but have not yet learned about or received insulin-enhanced therapies. The penetration rate of continuous glucose monitoring system in China is much lower than that in Europe and the United States but is surging at a rate of more than 20% per year. As recognition of the clinical efficacy of insulin pumps and patient awareness of continuous glucose monitoring systems continue to grow, we expect sales of the Company's Equil Patch Insulin Pump System, AiDEX CGMS, and New Generation CGMS (AiDEX X) to continue to grow rapidly.

We will strengthen our training, service and marketing teams to focus on promoting our products in the hospital specialty market, retail channels, e-commerce and health management platforms, with a view to providing quality treatment and blood glucose management services to diabetes patients of all types. Meanwhile, we will continue to collaborate with diabetes professional societies and medical institutions to launch public welfare trial campaigns to advocate internationally recognized standards of diabetes management (e.g. managing blood glucose levels within the "target range") and to remind diabetes patients in China to pay attention to their daily blood glucose management, to control the progress of their disease and to improve their quality of life.

We have set up a 7 x 24 hour responsive 400 hotline customer service team to provide end-users with consultation and enquiry service, which has been honored with the “Outstanding Service Brand Award (Top 100)” in the 5th China Customer Service Festival. We have more than 50 customer service and support staff who focus on providing comprehensive after-sales service system for products such as stick-on insulin pump system, continuous glucose monitoring system and blood glucose monitoring system. Through regular customer satisfaction surveys, we continuously optimize the content and form of our services in a data-driven manner.

Continuing to expand our international marketing initiatives and deepen our international operations

Our long-term strategic goal is to become the leading brand of diabetes treatment and monitoring devices in the international market, with our strategic focus on expanding into Europe and emerging markets. With our product strengths and market expansion capabilities, we will continue to benefit from the higher levels of healthcare costs and insurance coverage in these regions, as well as the high level of recognition of intensive diabetes treatment and continuous monitoring and management therapies by local physicians and patients.

Currently, we have successfully expanded our market access and product sales in more than 80 countries and regions in Europe, the Middle East, Africa, Asia and Latin America. Our Equil brand has been sold in Italy, the Netherlands, Poland, Israel and many other countries, and has been well received by local doctors and patients. Meanwhile, our AiDEX CGMS has entered the UK, Italy, South Africa and other markets. AiDEX X, our new generation of CGMS, is gradually being marketed in some countries in the Middle East and Asia Pacific. We have further expanded our international user base by building online communities on social media, organizing new product launches, and launching free clinics, eco- friendly, offline education classes, and lucky draws through our diversified social media platforms. Meanwhile, we closely monitor the development trend of business areas related to the new mode of cross-border e-commerce and have begun to lay out our cross-border e-commerce business, taking into account the current situation of the local market.

Continuing to promote R&D of advanced diabetes products to strengthen our Core Product portfolio

As the only company in the PRC that owns both a patch insulin pump system and a real-time calibration-free continuous glucose monitoring system product, we will continue to invest in technology innovation and product research and development and is committed to providing a closed-loop solution of “monitoring + treatment + management” for diabetes patients. In the second half of 2024, we will continue to advance the development and clinical registration of our R&D product pipeline as planned. This includes completing the international registration of AiDEX X, a next-generation CGMS, advancing the expansion of the Equil Patch Insulin Pump System and AiDEX CGMS for children and adolescent indications, and clinical registration of the PanCares Artificial Pancreas System. In addition, through collaboration with opinion leaders and research on the needs of diabetes patients, the Company will continue to research and develop new products, continuously invest in the upgrading and optimization of existing products, as well as the development and optimization of digital management platforms, with the aim to strengthen the advantages of the product portfolio, so as to ensure that healthcare professionals and diabetes patients will be provided with products and diabetes management tools that are clinically more effective, easier to use, and more cost-effective.

Promoting Cost Reduction and Efficiency Initiatives to Enhance Profitability

The Company is at a stage of rapid development and still needs to invest actively in product research and development, clinical research, marketing expansion and branding in order to enhance its market position and competitiveness. As at the date of this announcement, the Core Product is still in the early stage of market development and the Company is in a strategic loss-making position. With the expansion of our business scale, we will take a series of vigorous measures to enhance operational efficiency, increase per capita sales, and continue to reduce operating costs. Our management expense ratio have been decreasing steadily in line with the increase in business revenue. The performance evaluation of all employees is an important measure for us to improve the effectiveness of our organization. We will enhance the competitiveness of our team in accordance with the principles of promotion by merit and elimination, and further improve the long-term incentive mechanism by linking the personal returns of our core employees to the development and performance of the Company and its share price. At the same time, we will continue to optimize the efficiency of our research and development and production operations, expand our automated production capacity, optimize our supply chain and costs, and promote the continuous improvement of the gross profit margin of our Core Product is as well as the reduction of our overhead rates, in order to move forward at a steady pace towards profitability in the future.

The Company’s business objective for 2024 is to maintain rapid revenue growth and enhance profitability.

Events after the Reporting Period

Since June 30, 2024 and up to the date of this announcement, pursuant to the share repurchase mandate approved by Shareholders at the annual general meeting of the Company held on May 17, 2024, the Company repurchased a total of 622,600 H Shares of the Company with a par value of RMB1.0 per ordinary share from the open market, and such shares have been held as treasury shares (as defined in the Listing Rules) of the Company as at the date of this announcement.

Save as disclosed above, there was no other significant event that might affect the Group after the Reporting Period 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 contained in Appendix C1 to the Listing Rules, 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 of the Company 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 four executive Directors, 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 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' and Supervisors 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 Supervisors 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

During the Reporting Period, the Company repurchased a total of 1,360,800 and 314,300 H Shares of the Company with a par value of RMB1.0 per ordinary share from the open market pursuant to the share repurchase mandate approved by the Shareholders at the annual general meetings of the Company held on May 18, 2023 and May 17, 2024, respectively. As of the date of this announcement, among the relevant shares, 60,000 H Shares have not been cancelled and 314,300 H Shares have been held as the treasury shares (as defined in the Listing Rules) of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed the Company's listed securities for the six months ended June 30, 2024.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: Nil).

Review of the Interim Results

The Audit Committee has considered and reviewed the unaudited interim condensed consolidated financial results of the Group for the six months ended June 30, 2024, and the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the unaudited interim condensed consolidated financial results of the Group for the six months ended June 30, 2024, 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 2024 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 the manner as they elect to receive corporate communications 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”	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”	chief executive officer of our Company
“CG Code”	the Corporate Governance Code set out in Appendix C1 of the Listing Rules
“CGMS”	continuous glucose monitoring system

“Chairman”	chairman of the Board
“China” or “PRC”	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”, or “MicroTech”	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, and the H Shares of which are listed on the Stock Exchange with stock code 2235
“Core Product”	Equil Patch Insulin Pump System, the designated “Core Product” as defined under Chapter 18A of the Listing Rules
“Director(s)”	the director(s) of the Company
“Dr. Zheng”	Dr. Zheng Pan (鄭攀), the chairman of the Board, an executive Director and the CEO
“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”	the Company and its subsidiaries from time to time

“H Share(s)”	overseas listed foreign share(s) in the share capital of the Company with a nominal value of RMB1.0 each, which is/are subscribed for and traded in Hong Kong dollars and listed on the Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“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, as amended or supplemented from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 of the Listing Rules
“NMPA”	National Medical Products Administration (中國國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (中國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, 2024
“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
“Supervisor(s)”	supervisor(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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 30, 2024

As at the date of this announcement, the executive Directors of the Company are Dr. Zheng Pan, Dr. Yu Fei, Dr. Shi Yonghui and Ms. Liu Xiu; the non-executive Directors are Mr. Mao Shuo and Ms. Gao Yun; and the independent non-executive Directors are Dr. Li Lihua, Ms. Wang Chunfeng, Mr. Ho Kin Cheong Kelvin and Dr. Cheng Hua.