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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors (the "**Board**") of MicroTech Medical (Hangzhou) Co., Ltd. (the "**Company**") is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (the "**Group**", "**we**", "**our**" or "**us**") for the year ended December 31, 2021 (the "**Reporting Period**"), together with comparative figures for the year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2021, the Group recorded the following audited results:

	Year ended December 31, 2021 ***RMB'000***	Year ended December 31, 2020 *RMB'000*	Year-on-year change
Revenue	**151,404**	75,277	101.1%
Gross profit	**70,883**	36,544	94.0%
Net loss	**(48,153)**	(121,250)	(60.3%)
Loss attributable to owners of the parent	**(48,153)**	(121,009)	(60.2%)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted	**RMB (0.13)**	RMB (0.39)	(66.7%)

BUSINESS HIGHLIGHTS

In the course of 2021, we achieved significant progresses in our R&D pipeline, including (1) the obtaining of the marketing approval for AiDEX G7 CGMS by the NMPA in November 2021 as envisaged; (2) the launch of clinical study on indication expansion of the patch insulin pump and CGMS in children and adolescent use; (3) the submission for type-testing of the second-generation patch insulin pump, AiDEX X CGMS, and closed-loop artificial pancreas system; (4) the submission of FDA registration application for Equil patch insulin pump; and (5) the R&D advancements of digital diabetes management products based on our essential technical strengths.

In terms of commercialization, the revenue of our Core Product, the Equil patch insulin pump, recorded significant increase of 111% in 2021 as compared to 2020, with a distribution network covering over 800 hospitals. In 2021, the Equil patch insulin pump was included in the "China Guidelines for Insulin Pump Therapy", and is currently the first and only patch insulin pump product approved in China. AiDEX G7, the first calibration-free, real-time CGMS approved in China, has already been manufactured and commercialized in December 2021, providing real-time and accurate glucose monitoring solutions to patients and physicians in hospitals, users from retail pharmacies and e-commerce platforms.

We have also made significant progress in overseas markets, with major products gaining access to medical insurance in several European countries in 2021. Revenue from overseas products increased significantly by 191% in 2021 as compared to 2020, primarily due to the launch of Equil patch insulin pump and AiDEX G7 CGMS in additional European countries as well as the revenue growth of BGMS in the European and Latin American markets.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended December 31, 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
REVENUE	3	**151,404**	75,277
Cost of sales		**(80,521)**	(38,733)
Gross profit		**70,883**	36,544
Other income and gain	3	**29,063**	27,663
Selling and distribution expenses		**(52,257)**	(55,059)
Administrative expenses		**(41,480)**	(45,758)
Impairment losses on financial assets, net		**(1,229)**	(188)
Research and development costs		**(36,083)**	(82,009)
Other expenses		**(17,033)**	(2,135)
Finance costs		**(17)**	(308)
LOSS BEFORE TAX	4	**(48,153)**	(121,250)
Income tax	5	**–**	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(48,153)**	(121,250)
Attributable to:			
Owners of the parent		**(48,153)**	(121,009)
Non-controlling interest		**–**	(241)
		(48,153)	(121,250)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	7	**RMB(0.13)**	RMB(0.39)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**73,184**	65,965
Intangible assets		**13,793**	14,454
Right-of-use assets		**6,938**	6,962
Prepayments, other receivables and other assets		**1,959**	1,617
Total non-current assets		**95,874**	88,998
CURRENT ASSETS			
Inventories		**34,165**	18,423
Trade and bills receivables	8	**27,770**	10,359
Prepayments, other receivables and other assets		**20,352**	4,502
Financial assets at fair value through profit or loss		**–**	105,192
Cash and cash equivalents		**2,150,978**	549,800
Total current assets		**2,233,265**	688,276
CURRENT LIABILITIES			
Trade payables	9	**14,115**	7,599
Lease liabilities		**115**	126
Other payables and accruals		**61,722**	29,106
Contract liabilities		**6,386**	11,926
Total current liabilities		**82,338**	48,757
NET CURRENT ASSETS		**2,150,927**	639,519
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,246,801**	728,517
NON-CURRENT LIABILITIES			
Lease liabilities		**140**	–
Total non-current liabilities		**140**	–
Net assets		**2,246,661**	728,517
EQUITY			
Equity attributable to owners of the parent			
Share capital		**425,743**	360,000
Reserves		**1,820,918**	368,517
Total equity		**2,246,661**	728,517

Notes:

1. CORPORATE AND GROUP 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.

During the year, the Group was principally engaged in the research and development, manufacture and commercialisation of diabetes management medical devices and consumables.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on October 19, 2021.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond June 30, 2021* (early adopted)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

   The adoption of the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

   The Group has early adopted the amendment on January 1, 2021. The amendment did not have any impact on the financial position and performance of the Group as the Group has not received any covid-19-related rent concessions for the year ended December 31, 2021.

3. REVENUE, OTHER INCOME AND GAIN

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Sale of medical devices and consumables	**151,404**	75,277

Revenue from contracts with customers

Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Geographical markets		
Mainland China	**107,285**	60,111
Other countries/regions	**44,119**	15,166
	151,404	75,277
Timing of revenue recognition		
Goods transferred at a point in time	**151,404**	75,277

The following table shows the amounts of revenue recognised during the year that were included in the contract liabilities at the beginning of the year and recognised from performance obligations satisfied in previous periods:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year:		
Sale of medical devices and consumables	**11,905**	6,178

3. REVENUE, OTHER INCOME AND GAIN (Continued)

An analysis of other income and gain is as follows:

	2021	2020
	RMB'000	*RMB'000*
Other income		
Government grants	**4,502**	19,243
Bank interest income	**23,316**	2,376
Investment income from financial assets at fair value through profit or loss	**1,172**	5,768
Others	**28**	49
	29,018	27,436
Gain		
Gain on disposal of items of property, plant and equipment	**45**	227
	29,063	27,663

* *The government grants mainly represent subsidies received from the local governments for compensating expenses arising from research activities and rewarding research and development costs and capital expenditure incurred for certain projects.*

4. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2021	2020
	RMB'000	*RMB'000*
Government grants	**(4,502)**	(19,243)
Foreign exchange differences, net	**16,477**	2,107
Equity-settled share award expense	**12,433**	111,176

5. INCOME TAX

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% (2020: 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% (2020: 15%) during the year. MicroTech E-Commerce is qualified as a Small and Micro Enterprise and was entitled to a preferential tax rate of 2.5% (2020: 5%) during the year.

The income tax expense of the Group during the year is analysed as follows:

	2021	2020
	RMB'000	*RMB'000*
Current tax:		
Charge for the year	**–**	–
Deferred tax	**–**	–
Total tax expense for the year	**–**	–

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	2021	2020
	RMB'000	*RMB'000*
Loss before tax	**(48,153)**	(121,250)
Tax at the statutory tax rate of 25% in Mainland China	**(12,038)**	(30,313)
Preferential tax rates enacted by local authority	**5,296**	12,258
Expenses not deductible for tax	**3,102**	17,577
Additional deductible allowance for research and development costs	**(5,480)**	(2,232)
Temporary differences and tax losses not recognised	**9,120**	2,710
Tax charge at the Group's effective tax rate	**–**	–

5. INCOME TAX (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2021	2020
	RMB'000	*RMB'000*
Tax losses	**225,342**	151,410
Deductible temporary differences	**19,954**	14,072
	245,296	165,482

The Group had tax losses arising in Mainland China of RMB225,342,000 (2020: RMB151,410,000) that will expire in one to ten years for offsetting against taxable profits.

Deferred tax assets have not been recognised in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

6. DIVIDENDS

No dividend has been paid or declared by the Company in respect of the year ended December 31, 2021 (2020: Nil).

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 373,164,928 in issue during the year, as adjusted to reflect the rights issue during the year. The weighted average number of ordinary shares of 306,401,310 for the year ended December 31, 2020 is calculated based on the assumption that paid-in capital had been fully converted into share capital at the same conversion ratio of 1:1 as upon transformation into a joint stock company by converting the net assets of the Company as of the conversion base date amounting to RMB227,659,000 into 83,022,715 ordinary shares of RMB1.00 each and the transfer of share premium to share capital by converting share premium of RMB264,804,195 into 264,804,195 ordinary shares of RMB1.00 each had been completed on January 1, 2020.

No adjustment has been made to the basic loss per share amount presented for the years ended December 31, 2020 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years.

8. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**30,342**	11,458
Bills receivable	**–**	244
	30,342	11,702
Impairment	**(2,572)**	(1,343)
	27,770	10,359

Certain of the Group's trading terms with its customers are on credit. The credit period is generally within three months, extending up to nine months for certain customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**26,752**	9,304
1 to 2 years	**874**	536
2 to 3 years	**142**	229
Over 3 years	**2**	46
	27,770	10,115

The movements in the loss allowance for impairment of trade receivables are as follows:

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**1,343**	1,155
Impairment losses, net	**1,229**	188
At end of year	**2,572**	1,343

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

8. TRADE AND BILLS RECEIVABLES (Continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at December 31, 2021

	Gross carrying amount *RMB'000*	**Expected credit loss rate** *%*	**Expected credit loss** *RMB'000*
Less than 1 year	27,954	4.30%	1,202
1 to 2 years	1,130	22.65%	256
2 to 3 years	440	67.73%	298
Over 3 years	818	99.76%	816
	30,342	8.48%	2,572

As at December 31, 2020

	Gross carrying amount *RMB'000*	Expected credit loss rate *%*	Expected credit loss *RMB'000*
Less than 1 year	9,778	4.85%	474
1 to 2 years	681	21.29%	145
2 to 3 years	485	52.78%	256
Over 3 years	514	91.05%	468
	11,458	11.72%	1,343

9. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Within 1 year	**14,017**	7,482
1 to 2 years	**3**	110
2 to 3 years	**91**	–
Over 3 years	**4**	7
	14,115	7,599

Trade payables are non-interest-bearing and are normally settled on 30-day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

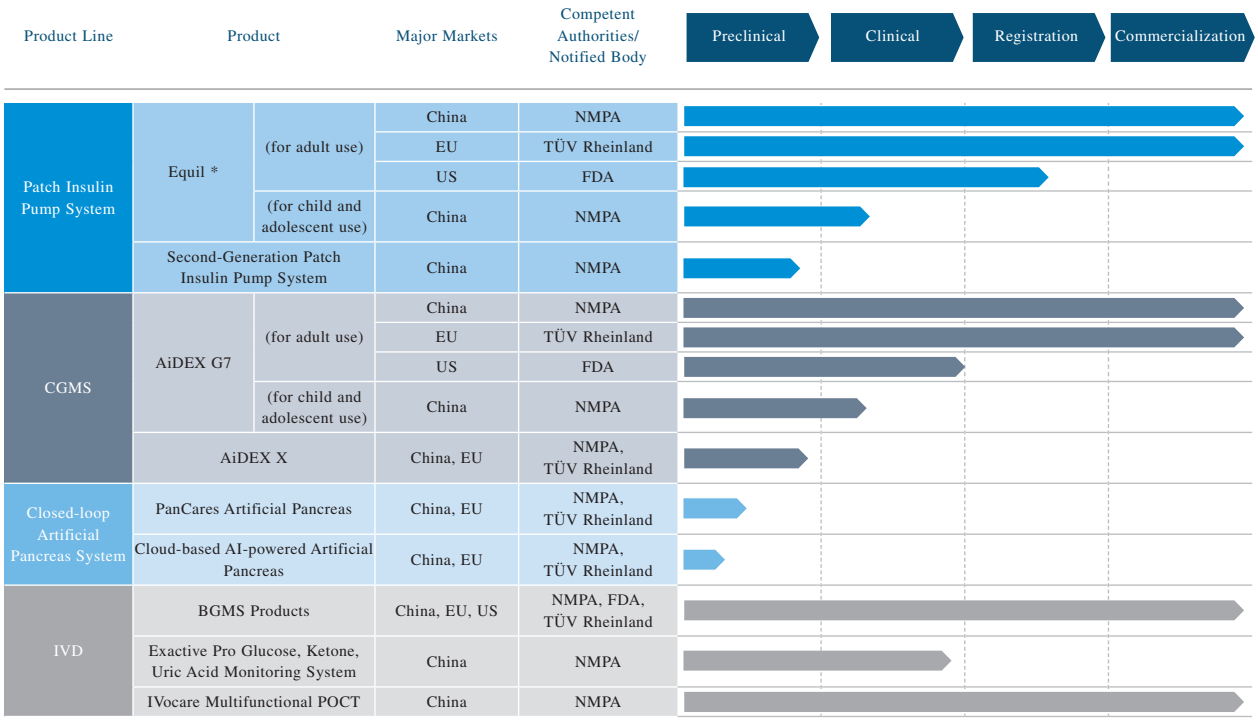
Overview

Our mission is to help diabetic patients lead healthier and better lives in China and across the globe. The Group has focused on diabetes management, providing both diabetes treatment and diabetes monitoring medical devices to improve diabetes management domestically and globally.

The Group's key strategic goals are to leverage our strengths in patch insulin pump system and CGMS, to continue further expansion of our marketing network, to develop and launch our closed-loop solutions, to enhance brand awareness of our Core Product and to expand our business into international markets. In the long term, we also plan to build a cloud-based diabetes management platform to bring more clinical benefits to diabetes patients all over the world and reduce economic costs.

Products and Product Pipeline

As of December 31, 2021, we had four major categories of products and pipeline candidates. Our products have obtained 14 medical device registration certificates in the PRC. In addition, six 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 eight 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:



* Core Product

Equil Patch Insulin Pump System－Our Core Product

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 discreetly and safely. In September 2017, Equil received the marketing approval for adult use from the NMPA in China. Equil also received CE marking in the EU in the same year. We have successfully marketed Equil in over 20 countries across Asia Pacific, Europe, the Middle East, Africa, and Latin America. In February 2021, we have submitted US FDA 510(k) Registration application for Equil patch insulin pump in 2021 and we are expecting to receive FDA's approval by the end of 2022.

We have been engaged in the R&D for the expansion of the use of Equil to children and adolescents (aged 3 to 18) since the second quarter of 2019. We are preparing for a pivotal clinical trial in China for the purpose of registering Equil for children's and adolescents' use. We expect to complete the registrational clinical trial in China and submit the registration application to the NMPA in 2022.

For the year ended December 31, 2021, the sales revenue of our Equil was RMB73.1 million, representing an increase of 110.7% as compared to RMB34.7 million for the year ended December 31, 2020.

We may not be able to ultimately develop and market Equil, including the expansion of the indication of Equil for children and adolescents' use successfully.

Second-generation Patch Insulin Pump

We are also developing our second-generation patch insulin pump system, featuring smaller size, improved waterproof performance, better adaptability to insulin reservoirs in different sizes, and augmented user-friendliness. The insulin pump, as a continuous insulin delivery device, is also an essential component of the closed-loop artificial pancreas system. We expect to equip our second-generation patch insulin pump system with internal control algorithms, which, together with our CGMS, is expected to form the bedrock of our closed-loop artificial pancreas system. This product candidate has been submitted for type testing in December 2021.

We may not be able to ultimately develop and market the second-generation patch insulin pump successfully.

CGMS

AiDEX G7, our CGMS, is the second commercialized calibration-free real-time CGMS in the world. Since its launch, AiDEX G7 has demonstrated various advantages over traditional BGMS products, featuring real-time monitoring, reduced risk of hyper/hypoglycemia, and increased compliance to treatment regimen without taking routine finger prick blood glucose measurements. AiDEX G7 received CE marking in the EU in September 2020 and obtained the marketing approval for adult use from the NMPA in China. It is the first marketed calibration-free, real-time CGMS product in China. We initiated a clinical trial to expand the use of AiDEX G7 to children and adolescents with diabetes in the second half of 2021, which has passed the ethics committee review and obtained ethics review approval from the leader unit of the clinical trial. We expect to complete the clinical trial in China and submit the registration application to the NMPA in 2022.

In addition to AiDEX G7, we are leveraging our proprietary technologies to develop a new generation of calibration-free CGMS – AiDEX X to further expand the market and the scope of the applicable population. As evidence of our efforts, AiDEX X has been submitted for type testing in December 2021.

By synergistically addressing different target populations, AiDEX G7 and AiDEX X will complement each other and thus allow us to deploy a portfolio approach, enabling rapid market penetration and wide user coverage. Our CGMS products will also constitute an essential component of our closed-loop artificial pancreas system.

We may not be able to ultimately develop and/or market AiDEX G7, including the expansion of the indication of AiDEX G7 for children and adolescents' use and AiDEX X successfully.

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 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. We are the only company in China possessing both patch insulin pumps and CGMS, which constitute the essential foundation for the successful development of a closed-loop artificial pancreas system. We have submitted the system for type testing at the end of 2021 and expect to commence clinical trial in the second half of 2022.

Our patch insulin pump system and CGMS have paved the way for us to internally develop the closed-loop artificial pancreas system. These two systems accordingly form the essential foundation for the successful development of a closed-loop artificial pancreas system.

We plan to develop and commercialize our artificial pancreas system indicated for the use of adult patients, and further extend such indication to children and adolescents at a later stage.

We may not be able to ultimately develop and market the closed-loop artificial pancreas system successfully.

IVD Devices

BGMS Products

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.

Exactive Pro — Glucose, Ketone, Uric Acid Monitory System

Exactive Pro is capable of measuring three parameters-blood glucose, ketone and uric acid. As of the date of this announcement, the registration of blood glucose and uric acid test strips for the hospital-based market have been completed, and the enrollment of registrational clinical trial subjects for ketone and uric acid self-testing products has been substantially completed. When approved, Exactive Pro is expected to be the first all-in-one automatically code-free product in China with all of these three parameters.

We may not be able to ultimately develop and market Exactive Pro successfully.

IVocare Multifunctional POCT

Currently, IVocare is capable of detecting HbA1C, MAU and hs CRP+CRP. In August 2021, we obtained the Class II medical device registration certificate from the ZJMPA for the POCT analyzer. In November 2021, we obtained the Class II medical device registration certificates from the ZJMPA for these IVD assays.

We may not be able to ultimately market the IVocare multifunctional POCT successfully.

Our Platform

We have established a strong platform equipped with 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 mechanical engineering, electrical engineering, software engineering, communication engineering and signal processing, electrochemistry, biomedical engineering and mathematics (algorithm) and artificial intelligence. Our key R&D staff have, on average, over 14 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 designated as the Key Diabetes Research Center in Zhejiang Province, China, and were also selected as a "Professional, Advanced, Specialized and New" enterprise in Zhejiang Province. In particular, our Core Product, Equil patch insulin pump, was designated as an Innovative Medical Device Product by the PRC Ministry of Science and Technology, and our AiDEX G7 has 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. Our team, focusing on the R&D of an intelligent cognitive computed based closed-loop artificial pancreas system and 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.

Manufacturing

The Company owns a manufacturing facility with an aggregate area of approximately 15,000 sq.m. in Hangzhou, China, for the manufacture 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. Over the 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.

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 of, our products. We also regularly organize and attend educational symposia, conferences, seminars, and other activities at national, regional and local levels, so as to increase awareness and penetration of our 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.

Revenue

During the Reporting Period, we generated all of our revenue from sales of medical devices, including Equil patch insulin pump, BGMS and CGMS and others.

For the year ended December 31, 2021, the Group's revenue was RMB151.40 million, representing an increase of 101.1% from RMB75.28 million for the year ended December 31, 2020. The increase was mainly due to the continuous expansion of the market share and the sales scale of the Company's existing products and the commencement of commercialization of CGMS.

The following table sets forth a breakdown of our revenue by product:

	For the year ended December 31,			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Equil	**73,137**	**48.3**	34,742	46.2
BGMS	**70,965**	**46.9**	39,290	52.2
CGMS	**3,940**	**2.6**	–	–
Others	**3,362**	**2.2**	1,245	1.6
Total	**151,404**	**100**	75,277	100

Cost of Sales

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

For the year ended December 31, 2021, the Group's cost of sales was RMB80.52 million, representing an increase of 107.9% from RMB38.73 million for the year ended December 31, 2020. 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 of the Company.

Gross Profit and Gross Margin

As a result of the factors described above, the gross profit of the Group increased by 94.0% from RMB36.54 million for the year ended December 31, 2020 to RMB70.88 million for the year ended December 31, 2021. Gross margin is calculated at gross profit divided by revenue. Due to an increase in the price of printed circuit boards, being the major raw materials for our products, as well as an increase in international freights and other factors, the Group's overall gross margin decreased from 48.5% for the year ended December 31, 2020 to 46.8% for the year ended December 31, 2021. The gross margin of the Core Product remained stable despite rising raw material prices in 2021.

Since the sales scale of CGMS, being another product commercialized by the Company, was small in 2021, it has yet to have any impact on improvement of the Company's overall gross profit margin.

Other Income and Gains

Our other income and gains increased by 5.1% from RMB27.66 million for the year ended December 31, 2020 to RMB29.06 million for the year ended December 31, 2021, mainly due to an increase in interest income, which represented interest on demand deposits, negotiated deposits and term deposits generated from the Group's bank deposits.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 5.1% from RMB55.06 million for the year ended December 31, 2020 to RMB52.26 million for the year ended December 31, 2021, mainly due to an increase in staff costs and marketing costs of RMB17 million and a decrease in staff equity incentives of RMB20 million.

Administrative Expenses

Our administrative expenses decreased by 9.4% from RMB45.76 million for the year ended December 31, 2020 to RMB41.48 million for the year ended December 31, 2021, mainly due to a decrease in equity-settled share award expense of RMB21.1 million and in increase in staff costs, office expense and professional services fee of RMB12.7 million.

Research and Development Expenses

Our research and development expenses decreased by 56.0% from RMB82.01 million for the year ended December 31, 2020 to RMB36.08 million for the year ended December 31, 2021, primarily due to an increase in staff costs of RMB5 million and a decrease in staff equity incentives of RMB57 million.

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

	For the year ended December 31,			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Equity-settled share award expense	**–**	**–**	57,253	69.8
Staff costs	**16,991**	**47.1**	11,800	14.4
Depreciation and amortization	**3,738**	**10.3**	3,304	4.0
Service fees	**7,325**	**20.3**	4,049	4.9
Raw material costs	**4,468**	**12.4**	2,218	2.7
Travelling and entertainment expense	**535**	**1.5**	637	0.8
Others	**3,026**	**8.4**	2,748	3.4
Total	**36,083**	**100**	82,009	100

Other Expenses

Our other expenses increased by 695.8% from RMB2.14 million for the year ended December 31, 2020 to RMB17.03 million for the year ended December 31, 2021, primarily due to foreign exchange losses arising from the continued decline of Hong Kong dollar and U.S. dollar exchange rates.

Impairment Losses on Assets, Net

Our impairment losses on assets, net increased by 547.4% from RMB0.19 million for the year ended December 31, 2020 to RMB1.23 million for the year ended December 31, 2021, primarily due to increased impairment of trade receivables.

Finance Costs

Our finance costs decreased from RMB0.31 million for the year ended December 31, 2020 to RMB0.02 million for the year ended December 31, 2021, primarily due to the absence of bank borrowings and bank interest in 2021.

Income Tax Expense

Our income tax expense was nil for the year ended December 31, 2020 and the year ended December 31, 2021.

Loss for the Year

As a result of the foregoing, we incurred losses of RMB121.3 million and RMB48.2 million for the year ended December 31, 2020 and the year ended December 31, 2021, respectively.

Net Current Assets

Our net current assets increased from RMB639.5 million for the year ended December 31, 2020 to RMB2,150.9 million for the year ended December 31, 2021, primarily due to the proceeds raised from the Company's global offering on the Stock Exchange.

We have issued 65,742,600 new H Shares at HK$30.5 per H Share through the global offering on the Stock Exchange (including the exercise of the over-allotment option), raising net proceeds of approximately HK$1,876 million (equivalent to RMB1,533 million) after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the global offering and the over-allotment option.

Loans and Gearing Ratio

As of December 31, 2021, 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 December 31, 2021, the Group's gearing ratio was 3.5%.

Significant Investment held

The Group had no significant investment held during the year ended December 31, 2021.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint venture during the year ended December 31, 2021.

Capital Expenditure

For the year ended December 31, 2021, the total capital expenditure of the Group amounted to approximately RMB13.44 million, primarily for upgrading our existing product lines and purchasing new machinery.

Contingent Liabilities

As at December 31, 2021, we had no contingent liabilities.

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

We had 523 employees as of December 31, 2021, compared to 327 employees as of December 31, 2020, primarily due to an increase in marketing and production headcount.

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. The Group also provides trainings programs to our employees from time to time to ensure their awareness and compliance with our policies and procedures 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 have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees in accordance with applicable PRC laws.

FUTURE AND OUTLOOK

We operate in a large and fast-growing diabetes monitoring, treatment and management market in China and globally with significant unmet clinical needs. The Company has been committed to innovating and integrating diabetes monitoring and treatment methods to enhance and improve diabetes management models in China and around the world. We will continue to adhere to the vision of becoming the world's leading medical device company for diabetes monitoring, treatment and management. We plan to implement the following strategies to achieve our vision and strategic goals.

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

According to data from CIC, out of 130 million people living with diabetes in China, there are still millions of people with diabetes in China 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 factors such as the increasing recognition of insulin pumps for their clinical efficacy and the wider adoption of intensive insulin therapy.

Since the commercialization of Equil patch insulin pump in China, our products have been used in more than 800 hospitals locally. The Company has established a sales network consisting of more than 300 distributors and more than 140 sales and marketing personnel, covering the sales of Equil in 30 provinces, municipalities and autonomous regions in mainland China. This provides a sound foundation for our sales growth going forward. In 2021, patch insulin pump was included in the "Guidelines for insulin pump therapy in China". As the first and only patch insulin pump product 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 lighter and more affordable products. In 2022, the Company will further expand its sales, marketing and customer service teams to promote our products and services in the hospital-based and individual user markets. We will make full 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.

Rapidly commercialize AiDEX G7 CGMS in the PRC market

On November 4, 2021, the NMPA officially approved the registration application of the Company's innovative product "CGMS" (AiDEX G7). As the first marketed calibration-free, real-time CGMS in China, it 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 multi-center 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.

In 2022, the Company will expand the production capacity of the Hangzhou factory to meet the growing market demand. We will enlarge our training, service and sales teams, focus on promoting AiDEX G7 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 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, we believe that with the performance advantages and excellent clinical performance of AiDEX G7 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), the Company will be able to rapidly increase the market share of AiDEX G7 products in China's blood glucose monitoring product market. AiDEX G7 products will also become the main catalyst for the Company's performance growth.

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

The Company's long-term strategic goals include becoming the leading brand of diabetes treatment and monitoring devices in the international market, with expansion into developed markets (Europe, North America, and the emerging developed countries) as a strategic focus. The advantages of our products, combined with the Company's market expansion capabilities, will 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 patch insulin pump brand has been sold and used in Italy, the Netherlands and other countries, and has been well received by local physicians and patients. We have submitted a FDA 510(k) Registration application for Equil patch insulin pump in 2021 and we are expecting to receive FDA's approval by the end of 2022. The Company's AiDEX G7 continuous glucose monitoring product has now entered the core European markets such as the United Kingdom and Italy. In 2022, we expect that AiDEX G7 products will continue to be marketed and promoted in more European countries, with access to local medical insurance/commercial insurance, and are expected to be approved by the FDA by the end of 2023. A number of the Company's blood glucose meter products have also been sold in Europe, Latin America, Asia Pacific and other countries, and have maintained continuous growth.

In order to implement the Company's global growth strategy, our international business team will also continue to participate in international diabetes and endocrinology professional conferences and academic activities, increase overseas local post-market clinical trials, and continue to build a localized international sales team. The purpose is to improve the reputation and utilization rate of the Company's series of brand products among overseas physician-patient audiences, thereby further increasing the international market share.

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 2022, we will continue to promote the development and clinical registration of existing product candidates under development, complete the expansion of indications for children and adolescents with Equil and CGMS, and promote the development and clinical work of more advanced second-generation patch insulin pumps and AiDEX X continuous glucose management systems. Besides, the Company will continue to invest in the development and optimization of artificial pancreas products and 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.

Impact of COVID-19 Outbreak

As of December 31, 2021, the COVID-19 pandemic had not been contained in Europe and thus our access to local markets and sales and marketing activities there were limited, which negatively impacted our market expansion and sales growth. Certain cities in China have been impacted by the resurgences of COVID-19 which had reduced our on-site education activities in hospitals. We have mobilized, and will continue to mobilize our internal and external resources and leveraged our operating capabilities to minimize the adverse effect on our business caused by the COVID-19 outbreak.

However, the extent to which the COVID-19 outbreak impacts our business, results of operations and financial condition will depend on numerous factors beyond our control, including the extent of resurgences of the disease and its variants, vaccine distribution and other actions in response to the virus or to contain its impact. It is uncertain when and whether COVID-19 could be contained globally. We are closely monitoring the impact of COVID-19 outbreak on us and plan to continue implementing measures necessary to ease the impact of the outbreak on our operations. While we continue to assess the impact of the COVID-19 outbreak, we are unable to accurately predict the overall impact of COVID-19. We cannot assure you that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial condition or prospects. Our operations may also be adversely affected if any of our employees or employees of our distributors, suppliers and other business partners were suspected of contracting or contracted COVID-19. In addition, the commencement of new clinical trials for product candidates in our development pipeline was also delayed or prevented by any delay or failure in subject recruitment or enrollment.

Events after the Reporting Period

No events that had a significant impact on the Group have occurred since the end of the Reporting Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company is committed to maintain high standards of corporate governance to safeguard the interests of the shareholders and to enhance corporate value and accountability. The Company has applied the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**"). During the period from October 19, 2021 (the "**Listing Date**") to December 31, 2021, the Board is of the opinion that the Company has complied with all the code provisions apart from the deviations below.

Pursuant to code provision C.5.1 (i.e. former code provision A.1.1) of the CG Code, board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on the Listing Date, no Board meeting was held during the period from the Listing Date to December 31, 2021. During the same period, the Chairman held one meeting with the Independent Non-executive Directors without the presence of other Directors.

Code provision C.2.1 (i.e. former code provision A.2.1) of the CG Code provides that the roles of the chairman of the Board (the "**Chairman**") and chief executive officer (the "**CEO**") should be separated and should not be performed by the same individual. As at the date of this announcement, the roles of the Chairman and the CEO of the Company are held by Dr. Zheng Pan ("**Dr. Zheng**").

The Board believes that, in view of his experience, personal profile and his roles in our Company, Dr. Zheng is the Director best suited to identify strategic opportunities and 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 our 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 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**"). Specific enquiries have been made to all the Directors and they have confirmed that they have complied with the Model Code during the period from the Listing Date to the date of this announcement.

Use of Proceeds from the Global Offering

The shares of the Company were listed on the Stock Exchange on the Listing Date and the Company obtained net proceeds of HK$1,875.53 million (equivalent to RMB1,533.49 million) after deducting the underwriting commissions and other estimated expenses in connection with the global offering and the exercise of the over-allotment option.

For the period from the Listing Date up to December 31, 2021, the Company has used RMB20.73 million (i) to fund our core product; (ii) for our CGMS; (iii) for our second-generation patch insulin pump system; (iv) for our other products and product candidates; (v) to fund the establishment of our cloud-based diabetes management platform; and (vi) for our working capital and other general corporate purposes. The Company intends to use the remaining net proceeds in the same manner and proportion as set out in the prospectus of the Company dated October 6, 2021 under the section headed "Future Plans and Use of Proceeds". For details of the breakdown of the use of proceeds, please refer to the 2021 annual report of the Company to be published in due course.

Purchase, Sale or Redemption of Listed Securities

For the period from the Listing Date up to December 31, 2021, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2021.

AGM AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS OF H SHARES

The Company will arrange the time of convening the forthcoming annual general meeting (the "**AGM**") as soon as practicable, a circular and notice of the AGM will be published and despatched to the Shareholders in a timely manner in accordance with the requirements of the Listing Rules and the Company's articles of association. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of H Shares of the Company in due course.

AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has considered and reviewed the audited consolidated annual results of the Group for the year ended December 31, 2021 and the accounting principles and practices adopted by the Group, and has discussed with management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the audited consolidated annual results of the Group for the year ended December 31, 2021 are in compliance with the relevant accounting standards, laws and regulations.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

The 2021 annual 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

"BGMS"	blood glucose monitoring system
"CE marking"	a certification marking that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CGMS"	continuous glucose monitoring system
"CIC"	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
"Core Product"	Equil Patch Insulin Pump System, the designated "core product" as defined under Chapter 18A of the Listing Rules
"EU"	the European Union
"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
"HbA1C"	hemoglobin A1C, one of the indicators in the monitoring and management of diabetes

"hs CRP+CRP"	high-sensitivity C-reactive protein test, also known as full-range CRP test; regular CRP test measures general levels of inflammation in your body, while high sensitivity CRP test detects presences of low levels blood CRP which is usually associated with certain heart conditions
"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
"KOL"	key opinion leaders
"MAU"	one of the indicators in the monitoring and management of diabetes
"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)
"POCT"	point-of-care-testing, also known as near-patient testing, offer results within minutes of taking a test, allowing for rapid diagnosis and quick decisions about patient care
"R&D"	research and development
"U.S."	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"ZJMPA"	ZheJiang Medical Products Administration

For the purpose of this announcement and for illustration purpose only, conversion of HK$ to RMB is based on the exchange rate of HK$1 to RMB0.8176.

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

Hangzhou, the PRC, March 25, 2022

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. Gao Jian, Ms. Wang Chunfeng and Mr. Ho Kin Cheong Kelvin as independent non-executive Directors.