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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023**

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

FINANCIAL HIGHLIGHTS

For the year ended December 31, 2023, the Group recorded the following annual results:

	Year ended December 31, 2023 RMB	Year ended December 31, 2022 RMB	Year-on-year change %
Operating revenue	253,227,561.50	173,606,972.80	45.9
Gross profit	125,734,197.28	81,936,341.07	53.5
Net loss	(125,015,870.94)	(35,043,087.42)	(256.7)
Loss attributable to owners of the parent	(125,015,870.94)	(35,043,087.42)	(256.7)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted	(0.29)	(0.08)	(262.5)

BUSINESS HIGHLIGHTS

For the year ended December 31, 2023, we achieved operating revenue of RMB253.2 million, representing an increase of 45.9% over that of RMB173.6 million for the year ended December 31, 2022, mainly attributable to the rapid growth of the AiDEX CGMS, the steady growth of the Equil Patch Insulin Pump System and the rapid growth of the BGMS. The above growth has benefited from the further expansion of our channels to overseas customers, domestic professional markets and e-commerce. Our product portfolio will continue to benefit from the growing user demand for diabetes treatment, monitoring and management in the PRC and globally, as well as the increase in coverage of innovative medical devices by health insurance payers. For the year ended December 31, 2023, our product gross profit was RMB125.7 million, representing an increase of 53.5% from RMB81.9 million for the year ended December 31, 2022. Our gross profit margin was 49.7%, representing an increase of 2.5 percentage points from 47.2% for the year ended December 31, 2022. The growth in gross profit and gross profit margin was mainly attributable to the increase in the share of sales of CGMS and the increase in overall economies of scale, and we expect that our revenue and gross profit margin will continue to grow in 2024.

In our product R&D pipeline, we insist on independent innovation and independent research and development. As at December 31, 2023, we have made a number of important progresses, including (1) AiDEX X, a new generation of CGMS with better performance and greater convenience and ease of use, has been submitted to the NMPA and the European Union for registration, and as at the date of this announcement, it has been approved by the NMPA; (2) the PanCares Closed Loop Artificial Pancreas has been approved for entry into the “Special Examination Procedure for Innovative Medical Device” of the NMPA, and as at the date of this announcement, it has completed clinical trial enrollment; (3) Equil patch insulin pump system has been extended to children and adolescent diabetic patients (aged 3 to 18), and clinical trial has been completed; (4) AiDEX CGMS has been extended to children and adolescent diabetic patients (aged 2 to 18), and has been submitted to the NMPA for registration; (5) Blood glucose meter has been extended to newborns (within 30 days of birth), and clinical trials have been completed and submitted to the NMPA for registration; and (6) Exactive Pro blood glucose, blood ketone, and uric acid monitoring system has been awarded the CE marking by the European Union in 2022 and the approval by the NMPA in 2023. In addition, we have also taken advantage of the Company’s hardware and data strengths in diabetes dynamic monitoring and patch-type insulin pump therapy and applied AI technology to conduct research in enhancing the effectiveness of diabetes treatment and management, which will help enhance our core competitiveness in the field of diabetes management. We have also established post-doctoral mobile workstations to focus on the research and development of more advanced diabetes treatment technologies, and in July 2023, we were recognized as a specialized new “Small Giant Enterprise” at the national level. For the year ended December 31, 2023, our R&D expenses amounted to RMB70.1 million, representing an increase of 14.8% as compared to RMB61.1 million for the year ended December 31, 2022, which was mainly attributable to the increase in staff costs and material expenses.

In respect of commercialization, our Core Product, AiDEX CGMS, achieved sales revenue of RMB75.7 million for the year ended December 31, 2023, representing an increase of 123.7% from RMB33.8 million for the year ended December 31, 2022, and has accumulated more than 200,000 users worldwide. Our Core Product, the Equil Patch Insulin Pump System, is currently used in over 1,000 specialized hospitals, and has sustained sales growth over the years and remains a leading insulin pump brand among domestic insulin pumps.

In the domestic market, the Company 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 enhance doctors' and patients' understanding of the full range of MicroTech products and the system management platform. The Company has set up a dedicated customer operation and maintenance team to provide standard user care services to users of MicroTech products, to enhance the efficiency and effectiveness of after-sales services, and to implement a refined tiered operation strategy to provide personalized patient education content for users with different disease types and treatment modalities, so that diabetic patients can better manage their blood glucose and achieve an overall improvement in their quality of life. Our diabetes management platform, "Jiantang system (檢棠系統)", bridges the "intradisciplinary - extradisciplinary" and "in-hospital - out-of-hospital" data barriers, displays monitoring and treatment data in parallel, and combines the advantages of the "Pump + CGM + BGM + Software" product portfolio to realize closed-loop management of diabetes patients in a whole course of disease and in all scenarios. As at the date of this announcement, the system has been utilized in over 1,400 hospitals, serving over 7,000 healthcare professionals. At the same time, we have also initiated the research and development of AI models based on user behavioral data, and built a smart doctor consultation and diabetes patients social platform, thereby realizing smarter and more automated management of glucose for diabetic patients.

In terms of e-commerce, we have developed multi-channel sales, reaching end-users directly through mainstream e-commerce platforms such as JD, Alibaba and Douyin, as well as social media platforms such as Douyin, WeChat Video, Kuaishou, Xiaohongshu and Weibo, etc. We have won a number of awards, including the "Best Growth Partner of the Year" and the "Innovative Marketing Award", which were presented by the JD and Douyin platforms.

In the international market, our revenue for the year ended December 31, 2023 amounted to RMB78.4 million, representing an increase of 85.6% over that for the year ended December 31, 2022. Our Core Product, Equil Patch Insulin Pump System, and AiDEX CGMS, have been marketed in more than 20 countries and regions, and are being introduced into local health insurance and commercial insurance. We will continue to promote our innovations in glucose management and digital technology, and work with local partners to develop markets in Europe, the Middle East, Russia, Southeast Asia and Latin America. We continue to recruit marketing, training and customer service teams to accelerate healthcare access in local markets, and we are actively engaging the local media to continue to increase our market share and brand awareness.

In 2023, we initiated a number of post-listing clinical studies. Currently, we have initiated a multi-center study in China on the “Role of Supervised Short-Course Intensive Insulin Therapy Based on a Patch Insulin Pump and Real-Time Dynamic Glucose Monitoring Technology in Reversing the Conversion to Diagnosis of Type 2 Diabetes Mellitus”, a post-listing clinical trial of the Equil Patch Insulin Pump System in Europe to study its effectiveness and safety, and a clinical trial of the effectiveness and satisfaction of the use of the real-time continuous glucose monitoring system with a calibration-free glucose meter versus a conventional glucose meter in the Middle East. Relevant academic papers were published at the American Association of Clinical Endocrinology Annual Meeting (AACE).

To meet the growing business demand, the Group has initiated the construction of an advanced production manufacturing base in Yuhang District, Hangzhou, Zhejiang Province, China to expand the production capacity of its Core Product, improve production efficiency and lay the foundation for future development.

CONSOLIDATED INCOME STATEMENT

Year ended December 31, 2023

	<i>Note</i>	2023	2022
		RMB	RMB
I. Operating income	4	253,227,561.50	173,606,972.80
Less: Operating cost		127,493,364.22	91,670,631.73
Tax and surcharges		1,314,308.71	629,157.56
Selling expenses		210,090,716.50	116,699,475.05
Administrative expenses		45,599,582.13	41,533,587.59
Research and development expenses		70,098,410.26	61,086,121.98
Finance costs		(75,037,468.00)	(85,400,981.59)
Including: interest costs		52,955.29	146,585.93
interest income		68,240,076.38	55,723,108.69
Add: Other income		10,591,431.18	22,614,820.60
Investment income		(4,367.42)	–
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		(15,619.71)	–
Impairment loss on credit		(991,791.42)	(2,701,632.12)
Impairment loss on assets		(3,520,725.48)	(2,241,909.60)
Gains on disposal of assets		–	(8,311.42)
II. Operating profit		(120,272,425.17)	(34,948,052.06)
Add: Non-operating income		18,242.41	137,907.73
Less: Non-operating expenses		4,598,064.86	231,435.76
III. Total profit		(124,852,247.62)	(35,041,580.09)
Less: Income tax expenses	5	163,623.32	1,507.33
IV. Net profit		(125,015,870.94)	(35,043,087.42)
(I) By continuing operation:		–	–
1. Net profit from continuing operations		(125,015,870.94)	(35,043,087.42)
2. Net profit from discontinued operations		–	–
(II) By ownership:		–	–
1. Net profit attributable to owners of			
the parent		(125,015,870.94)	(35,043,087.42)
2. Minority interests		–	–

	<i>Note</i>	2023 RMB	2022 RMB
V. Other comprehensive income, net of tax		314,512.45	418,703.77
Other comprehensive income attributable to owners of the parent, net of tax		314,512.45	418,703.77
(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		314,512.45	418,703.77
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		-	-
6. Translation differences arising on translation of foreign currency financial statements		314,512.45	418,703.77
7. Others		-	-
Other comprehensive income attributable to minority interests, net of tax		-	-
VI. Total comprehensive income		(124,701,358.49)	(34,624,383.65)
Total comprehensive income attributable to owners of the parent		(124,701,358.49)	(34,624,383.65)
Total comprehensive income attributable to minority interests		-	-
VII. Earnings per share:	7	-	-
(I) Basic earnings per share		RMB(0.29)	RMB(0.08)
(II) Diluted earnings per share		RMB(0.29)	RMB(0.08)

CONSOLIDATED BALANCE SHEET

Year ended December 31, 2023

	<i>Note</i>	2023 RMB	2022 RMB
Current assets			
Cash at bank and on hand		1,885,880,958.10	2,046,570,461.60
Financial assets held for trading		6,054,088.59	–
Derivative financial assets		–	–
Bills receivable		–	–
Accounts receivable	8	73,233,595.56	49,256,938.67
Receivables financing		–	–
Prepayments		10,223,222.56	9,426,337.98
Other receivables		1,413,104.20	2,001,235.00
Inventories		42,114,723.25	67,335,172.90
Contract assets		–	–
Assets held for sale		–	–
Non-current assets due within one year		–	–
Other current assets		4,250,997.96	2,393,001.63
		<u>2,023,170,690.22</u>	<u>2,176,983,147.78</u>
Total current assets			
Non-current assets:			
Debt investments		–	–
Other debt investments		–	–
Long-term receivables		–	–
Long-term equity investments		–	–
Other equity instrument investments		–	–
Other non-current financial assets		–	–
Investment properties		–	–
Fixed assets		92,685,508.25	89,475,537.83
Construction in progress		7,946,229.32	381,053.10
Productive biological asset		–	–
Oil and gas assets		–	–
Right-of-use assets		727,703.13	760,610.34
Intangible assets		33,741,834.65	18,759,209.60

	<i>Note</i>	2023 RMB	2022 RMB
Development expenses		–	–
Goodwill		–	–
Long-term deferred expenses		242,031.73	177,706.41
Deferred tax assets		–	–
Other non-current assets		267,927.25	7,560,000.00
Total non-current assets		135,611,234.33	117,114,117.28
Total assets		2,158,781,924.55	2,294,097,265.06
Current liabilities:			
Short-term borrowings		–	–
Financial liabilities held for trading		–	–
Derivative financial liabilities		–	–
Bills payable		4,417,732.79	–
Accounts payable	9	33,772,276.03	23,210,999.91
Advance payments received		656,002.18	597,829.95
Contract liabilities		7,977,773.08	11,859,515.52
Staff salaries payable		19,661,496.14	20,986,210.18
Taxes payable		5,752,216.53	1,931,407.36
Other payables		20,349,685.93	19,770,967.65
Liabilities held for sales		–	–
Non-current liabilities due within one year		477,807.54	452,704.79
Other current liabilities		313,710.19	348,726.33
Total current liabilities		93,378,700.41	79,158,361.69
Non-current liabilities:			
Long-term borrowings		–	–
Bonds payable		–	–
Including: Preferred shares		–	–
Perpetual bonds		–	–
Lease liabilities		165,627.80	263,523.45
Long-term payables		–	–
Long-term staff salaries payable		–	–
Accrued liabilities		3,982,756.01	2,625,604.30

	<i>Note</i>	2023	2022
		RMB	RMB
Deferred income		–	10,861.47
Deferred tax liabilities		170,280.63	6,657.31
Other non-current liabilities		–	–
Total non-current liabilities		4,318,664.44	2,906,646.53
Total liabilities		97,697,364.85	82,065,008.22
Owners' equity (or shareholders' equity):		–	–
Paid-in capital (or share capital)		425,742,600.00	425,742,600.00
Other equity instruments		–	–
Including: Preferred shares		–	–
Perpetual bonds		–	–
Capital reserve		1,882,785,222.90	1,882,785,222.90
Less: Inventory shares		26,246,338.65	–
Other comprehensive income		733,216.22	418,703.77
Special reserve		–	–
Surplus reserve		–	–
General risk reserve		–	–
Unallocated profit		(221,930,140.77)	(96,914,269.83)
Total equity attributable to owners of the parent		2,061,084,559.70	2,212,032,256.84
Minority interest		–	–
Total owners' equity		2,061,084,559.70	2,212,032,256.84
Total liabilities and owners' equity		2,158,781,924.55	2,294,097,265.06

NOTES TO FINANCIAL STATEMENTS

December 31, 2023

1. GROUP INFORMATION

MicroTech Medical (Hangzhou) Co., Ltd. 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 Province, China.

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

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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared using the going concern basis of accounting based on the transactions and events actually occurred and 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 "PRCGAAP") and the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), the disclosure requirements under the Hong Kong Companies Ordinance, and based on the accounting policies and accounting estimates applicable to the Group.

3. CHANGES IN ACCOUNTING POLICIES ARISING FROM ALTERATION IN ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES

The Company has adopted the provision of "Accounting treatment of the deferred income tax relating to assets and liabilities arising from a single transaction to which initial recognition exemption does not apply" under Interpretation No.16 of the Accounting Standards for Business Enterprises issued by the Ministry of Finance since January 1, 2023, and has made adjustments in accordance with the provision to single transactions to which such provision applies that occurred between the beginning of the earliest period presented in the financial statements in which such provision was first adopted and the first adoption date. For taxable temporary differences and deductible temporary differences arising from lease liabilities and right-of-use assets recognised at the beginning of the earliest period presented in the financial statements in which the such provision was first adopted as a result of a single transaction to which the provision applies, as well as the recognition of provision for liabilities related to abandonment obligations and the corresponding related assets, in accordance with such provision and the provision under the Accounting Standards for Business Enterprises No. 18 — Income Tax, the cumulative effect amount would be adjusted to the opening retained earnings and other related financial statement items in the earliest period presented in the financial statements. The details of adjustments are as follows:

Statement item subject to significant impact	Affected amount <i>RMB</i>
Items in the balance sheet as at December 31, 2022	
Deferred income tax liabilities	6,657.31
Undistributed profits	(6,657.31)
Items in the income statement as at 2022	
Income tax expenses	1,507.33

4. OPERATING INCOME

An analysis of revenue is as follows:

	2023	2022
<i>Revenue from contracts with customers</i>		
Sale of medical devices and consumables	248,610,929.90	169,947,783.89
Provision of services	688,497.98	418,560.51
<i>Revenue from other sources</i>		
Other lease payments (including fixed payments)	3,928,133.62	3,240,628.40
	<u>253,227,561.50</u>	<u>173,606,972.80</u>

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	2023	2022
Geographical markets		
Mainland China	170,885,809.05	128,127,238.65
Other countries/regions	78,413,618.83	42,239,105.75
	<u>249,299,427.88</u>	<u>170,366,344.40</u>
Timing of revenue recognition		
Goods and services transferred at a point in time	<u>249,299,427.88</u>	<u>170,366,344.40</u>

5. INCOME TAX EXPENSES

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

PRC

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the “**CIT Law**”), the companies which operates in Mainland China are subject to CIT at a rate of 25% (2022: 25%) on the taxable income. Preferential tax treatment is available to the Company since it was recognised as a High and New Technology Enterprise, and it was entitled to a preferential tax rate of 15% (2022: 15%) during the year. Hangzhou MicroTech E-Commerce Co., Ltd. and Hangzhou Jienuotong Science and Technology Materials Co., Ltd. are qualified as a Small and Micro Enterprise and were entitled to a preferential tax rate of 5% (2022: 2.5%) during the period.

	2023	2022
	RMB	RMB
Current income tax	–	–
Deferred income tax	<u>163,623.32</u>	<u>1,507.33</u>
Total	<u><u>163,623.32</u></u>	<u><u>1,507.33</u></u>

6. DIVIDENDS

No dividend has been paid or declared by the Company in respect of the year ended December 31, 2023 (2022: Nil).

7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to owners of the parent of the Company by the weighted average number of ordinary shares 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.

8. ACCOUNTS RECEIVABLE

	2023	2022
Book balance of accounts receivable	79,227,568.86	54,451,746.48
Less: Provision for bad debts	<u>5,993,973.30</u>	<u>5,194,807.81</u>
Book value of accounts receivable	<u><u>73,233,595.56</u></u>	<u><u>49,256,938.67</u></u>

An aging analysis of accounts receivable as at the end of the reporting period is as follows:

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

	Book balance	2022 Provision for bad debts	Percentage of provision(%)
Within 1 year	47,539,043.44	2,207,990.31	4.6
1-2 years	5,178,026.72	1,460,362.68	28.2
2-3 years	689,674.46	496,139.56	71.9
3-4 years	318,146.75	303,460.15	95.4
4-5 years	282,870.72	282,870.72	100.0
over 5 years	<u>443,984.39</u>	<u>443,984.39</u>	<u>100.0</u>
Total	<u><u>54,451,746.48</u></u>	<u><u>5,194,807.81</u></u>	<u><u>9.5</u></u>

The aging analysis of accounts receivable is based on the month in which the payment is actually incurred. The payment that occurs first will be settled first when liquidity is available.

9. ACCOUNTS PAYABLE

An aging analysis of accounts payable as at the end of the reporting period is as follows:

	2023	2022
Within 1 year	32,935,152.33	22,323,399.11
1-2 years	279,187.08	765,593.98
2-3 years	501,833.86	63,674.86
over 3 years	56,102.76	58,331.96
	<hr/>	<hr/>
total	<u>33,772,276.03</u>	<u>23,210,999.91</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a high-tech company dedicated to the R&D, manufacturing, and sales of medical devices for diabetes monitoring, treatment and management, and committed to becoming the global leader in the field of diabetes management and helping individuals with diabetes lead healthier and better lives. We continue developing multidisciplinary R&D capabilities and meeting changing clinical product needs leveraging our diversified product portfolio. The Company will continue to expand its global market through user-centric and clinical data-based marketing strategies and a diversified commercialization pipeline. It will continue to increase production capacity to support growth and achieve economies of scale. With the rapid growth of the Company's revenue scale, we will also continue to recruit various professional talents in R&D, production and marketing, and strengthen the building of corporate culture and organizational training, so as to continuously improve the efficiency of the Company's management and operation, and enhance the Company's profitability.

The Group's strategic objectives are to capitalize on our strengths in patch insulin pump systems and CGMS, to further expand our marketing network, to launch our closed-loop solutions, to increase brand awareness of our innovative products, and to expand our business expansion into international markets. At the same time, we have developed a cloud-based big data diabetes management platform that will continue to bring more clinical benefits and digital convenience to diabetes patients around the world, as well as lowering their financial costs.

Products and Product Pipeline

We have a rich portfolio of products in the field of diabetes monitoring, treatment and management, covering patch insulin pump system, CGMS, closed-loop artificial pancreas system, BGMS products, as well as diabetes digital management software, a number of products on the market and pipeline research. As at December 31, 2023, we had 5 major categories of products and pipeline candidates. Our products have obtained 15 medical device registration certificates in the PRC. In addition, nine of our products have obtained CE marking in the EU. We also have one product which has obtained 510(k) approval from FDA. The following chart summarizes the development status of our products and product candidates as at 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				
		For use by children and adolescents	China	NMPA				
			EU	ÜV Rheinland				
	Second-Generation Patch Insulin Pump System		China	NMPA				
CGMS	AiDEX	For adult use	China	NMPA				
			EU	TÜV Rheinland				
		For use by children and adolescents	China	NMPA				
			EU	TÜV Rheinland				
	AiDEX X		China	NMPA				
			EU	TÜV Rheinland				
Closed-loop Artificial Pancreas System	PanCares Artificial Pancreas		China	NMPA				
			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 private, convenient and safe manner. Compared to the available commercialized patch insulin pumps in the global market, Equil’s pump has a longer reusable lifespan, rechargeable battery, and a unique pump vibration alarm design. 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. In 2018, Equil Patch Insulin Pump System 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 the innovation type is “domestic first”. The product was included in the “China Insulin Pump Treatment Guidelines” in 2021. We have successfully sold Equil in more than 20 countries in Europe, the Middle East, Asia Pacific, Africa and Latin America, etc.

As at December 31, 2023, we have completed a pivotal clinical trial in China to register Equil for use by children and adolescents (aged 3 to 18 years).

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

CGMS

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

Our AiDEX CGMS is the second commercialized calibration-free real-time CGMS in the world. Since its launch, AiDEX has demonstrated various advantages over traditional BGMS products, featuring real-time monitoring, lowering the diabetes patients’ risk of hyper/hypoglycemia, and increasing their compliance to treatment regimen without taking routine finger prick blood glucose measurements. As at December 31, 2023, we have completed the extension of AiDEX to the clinical trial for children and adolescents with diabetes (aged 2 to 18 years) and have submitted an application for registration with NMPA and the European Union. We have successfully sold AiDEX in more than 20 countries in Europe, the Middle East, Asia Pacific, Africa and Latin America.

Utilizing proprietary technology, our new product, AiDEX X, is the Company's new generation of CGMS, which is smaller in size, better in performance and more user-friendly with a fully disposable design. As at the date of this announcement, AiDEX X has been granted with the listing license by the NMPA. Meanwhile, AiDEX X has been submitted to the European Union for registration in 2023.

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 pipeline.

Closed-loop Artificial Pancreas System

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

The system consists of three major components: insulin delivery system (the patch insulin pump system), CGMS and closed-loop control algorithm. The product was admitted for the Special Procedures for Examination and Approval of Innovative Medical Devices promulgated by the NMPA in May 2023, and as at the date of this announcement, it has completed clinical trial. The Company is also in the process of designing and developing a cloud-based AI-powered artificial pancreas. As an integral part of the Company's closed loop solutions, the product will synthesize advanced analytical tools, providing continuous personalized blood glucose management solutions to users through AI-powered 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 abroad. By using the BGMS, the Company can reach a wider range of diabetic patients, expand sales channels, accumulate customer resources, and support 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 at December 31, 2023, the clinical trial of the blood glucose meter with an expanded indication to newborns (within 30 days of birth) has been completed and an application for registration has been submitted to the NMPA.

Exactive Pro — Blood Glucose, Blood 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 certification 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 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. Through the system, doctors and nurses can monitor the blood glucose data and insulin infusion status of patients of various departments on a real-time basis, intervene in high or low blood glucose events promptly, and handle low drug dosage/low battery alarms of equipment, and equipment malfunctions. Patients can independently view their blood glucose and insulin infusion status during hospitalization and home care, increasing their participation in blood glucose management. Patients can also authorize medical personnel to view and intervene in patients’ treatment and management programs in a timely manner through the outpatient management function.

The “Jiantang Hospital-wide Blood Glucose Management System” is employed in more than 1,400 hospitals. Currently, more than 7,000 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 Blood Glucose Management System”, which can provide comprehensive blood glucose management solutions for hospitals and integrate blood glucose management both inside and outside the hospital, to optimize the effectiveness of blood glucose management for diabetes patients. Such product is currently in the registration stage.

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 improve production efficiency, further enhance product quality and reduce production costs.

To meet the Company's growing business demand, the Company plans to construct 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, our Core Product, AiDEX CGMS, achieved sales revenue of RMB75.7 million for the year ended December 31, 2023, representing an increase of 123.7% from RMB33.8 million for the year ended December 31, 2022, and has accumulated more than 200,000 users worldwide. Our Core Product, the Equil Patch-Type Insulin Pump System, is currently used in over 1,000 professional hospitals, and has maintained continuous sales growth over the years and remains a leading brand among domestic insulin pumps.

In the domestic market, the Company 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 enhance doctors' and patients' understanding of the full range of MicroTech products and the system management platform. The Company has established a dedicated customer operation and maintenance team to provide standardized user care services for users of MicroTech products and to enhance the efficiency and effectiveness of after-sales services. The Company has 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 achieve a comprehensive improvement

in their quality of life. Our diabetes management platform, “Jiantang system” (檢棠系統), bridges the “in-service - out-of-service” and “in-hospital - out-of-hospital” data barriers, synchronizes the display of monitoring and treatment data, and combines the strengths of the product portfolio of “pump+CGM+glucosemeter+software” to achieve closed-loop management of diabetes patients in a full course of disease and in all scenarios. As at the date of this announcement, the system has been utilized in over 1,400 hospitals, serving over 7,000 healthcare professionals. At the same time, we have also initiated the research and development of AI large-scale model based on user behavioral data, and built a smart doctor consultation and diabetes patients social platform, so as to realize the purpose of smarter and more automated management of blood glucose for diabetes patients.

In the area of e-commerce, our Company actively developed multi-channel sales, covering mainstream e-commerce platforms and social media platforms. We reach out to end-users directly through e-commerce platforms such as JD, Alibaba and Douyin. At the same time, we also provide relevant content through social media platforms such as Douyin, WeChat video, Kuaishou, Xiaohongshu and Weibo in order to serve users more accurately and efficiently. In 2023, our Company won a number of awards such as the “Best Growth Partner of the Year” and the “Innovative Marketing Award” presented by JD and Douyin platforms. In the future, we will continue to expand more online channels and explore innovative ways to serve our users, so as to drive the rapid growth of our products through e-commerce.

In the international market, our revenue for the year ended December 31, 2023 amounted to RMB78.4 million, representing an increase of 85.6% over the same period of the previous year. Our Core Product, Equil Patch Insulin Pump System, and AiDEX CGMS products, have both been marketed in over 20 countries and regions, and have been entering into the local medical and commercial insurances gradually. We will continue to promote the Company’s innovations in blood glucose management and digital technology, as well as explore emerging markets such as Europe, the Middle East, Russia, Southeast Asia and Latin America in conjunction with our local partners. We continue to recruit marketing, training and customer service teams to accelerate healthcare access in local markets, and actively engage the local media to continue to increase our market share and brand awareness.

In 2023, we initiated a number of post-marketing clinical studies. Currently, a multi-center study on the “Role of 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” has been initiated in Mainland China; a post-marketing clinical trial of the Equil Patch Insulin Pump System has been launched in Europe to study its effectiveness and safety; a clinical trial of the effectiveness and satisfaction of using a calibration-free real-time CGMS versus a conventional glucose meter was initiated in the Middle East. Relevant academic papers were published at the American Association of Clinical Endocrinology Annual Meeting (AACE).

We continue to actively advocate the concept of dynamic blood glucose management and strive to be the “popularizer of dynamic blood glucose management in China”. 2023 saw us collaborate with the People’s Daily Health Client, JD Health and other platforms to launch the first “China Glucose Stabilization Day”; the “No Finger Tied, Full Care” public service initiative with the China Primary Healthcare Foundation and Hangzhou Yuhang Charity Association; and the “Taikang Dongtai Glucose Control Health Program” with Taikang Insurance. In the future, we will continue to work on the “Taikang Dyna-Thai Sugar Control Health Program” and continue to promote public interest initiatives to provide support to more diabetic patients and raise the importance of dynamic glucose management to the community and the public.

FINANCIAL REVIEW

Overview

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

Operating Income

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

For the year ended December 31, 2023, the Group’s operating income was RMB253.23 million, representing an increase of 45.9% from RMB173.61 million for the year ended December 31, 2022. Revenue growth was primarily driven by the high growth rate of the AiDEX CGMS, the solid growth of the Equil Patch Insulin Pump System, and the rapid growth of the blood glucose monitoring system, which benefited from further expansion of our offshore customers, domestic specialty markets and online pipeline.

The following table sets forth a breakdown of our revenue:

Item	For the year ended December 31,			
	2023		2022	
	<i>RMB’000</i>	%	<i>RMB’000</i>	%
BGMS	96,789	38	67,847	39
Equil	74,668	30	67,273	39
CGMS	75,714	30	33,843	19
Others	6,057	2	4,644	3
Total	253,228	100	173,607	100

Operating Cost

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

For the year ended December 31, 2023, the Group's operating cost was RMB127.49 million, representing an increase of 39.1% from RMB91.67 million for the year ended December 31, 2022. The increase in operating cost 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 year ended December 31, 2023, the Group's gross profit was RMB125.73 million, representing an increase of 53.5% from RMB81.94 million for the year ended December 31, 2022. Our gross profit margin increased from 47.2% for the year ended December 31, 2022 to 49.7% for the year ended December 31, 2023, mainly due to the increase in the share of sales of CGMS and improvement in overall economies of scale.

Selling Expenses

For the year ended December 31, 2023, the Group's selling expenses were RMB210.09 million, representing an increase of 80.0% from RMB116.70 million for the year ended December 31, 2022, mainly due to the expansion of online sales channels and increased brand investment.

Administrative Expenses

Our administrative expenses increased by 9.8% from RMB41.53 million for the year ended December 31, 2022 to RMB45.60 million for the year ended December 31, 2023, mainly due to increased personnel costs.

Research and Development Expenses

Our research and development expenses increased by 14.8% from RMB61.09 million for the year ended December 31, 2022 to RMB70.10 million for the year ended December 31, 2023, mainly due to the increase in personnel costs and material expenditures.

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

	For the year ended December 31,			
	2023		2022	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Staff costs	33,733	48	26,563	43
Service fees	17,159	25	17,934	29
Material costs	13,282	19	10,907	18
Depreciation and amortization	3,029	4	3,443	6
Others	2,895	4	2,239	4
Total	<u>70,098</u>	<u>100</u>	<u>61,086</u>	<u>100</u>

Income Tax Expense

Our income tax expense was RMB0.16 million for the years ended December 31, 2023.

Net Profit

As a result of the foregoing, we incurred losses of RMB35.04 million and RMB125.02 million for the year ended December 31, 2022 and the year ended December 31, 2023, respectively.

Loans and Gearing Ratio

As at December 31, 2023, the Group had no interest-bearing bank and other borrowings. The gearing ratio is calculated at the Group's debts divided by assets. As at December 31, 2023, the Group's gearing ratio was 4.5%.

Significant Investment held

The Group had no significant investment held for the year ended December 31, 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint venture for the year ended December 31, 2023.

Contingent Event

As at December 31, 2023, the Group (i) was not involved in any material legal proceeding, nor aware of any pending or potential material legal proceedings involving us; and (ii) had no contingent liabilities.

Charge of Assets

For the year ended December 31, 2023, the Group did not charge any assets as securities for borrowings.

Future Plans for Material Investments and Capital Assets

As at December 31, 2023, the Group did not have any specific plan for material investments and capital assets.

Foreign Exchange Risks

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

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

Employees and Remuneration

As at December 31, 2023, we had 760 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 market share and brand reputation of 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, and is growing 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, the Company 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 (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 support end-users to utilize the consultation and answering of questions, 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 and provide 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 a strategic focus on expanding into Europe and emerging markets. With our product strengths, combined with our 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 70 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. We have 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. We closely monitor the development trend of business areas related to the new mode of cross-border e-commerce and have gradually 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, the Company 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 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, 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 research and development expense ratio and 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 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 January 1, 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 18, 2023, the Company repurchased a total of 1,300,800 ordinary shares of the Company with a par value of RMB1.0 each from the open market, and such shares have not been cancelled 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 3,303,800 ordinary shares of the Company with a par value of RMB1.0 per share from the open market pursuant to the share repurchase mandate approved by the Shareholders at the annual general meeting of the Company held on May 18, 2023, and the relevant shares have not been cancelled as at the date of this announcement.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed the Company's listed securities for the year ended December 31, 2023.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended December 31, 2023 (2022: Nil).

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 disclosed 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 the Company in due course.

Adoption of CASBE

Reference is made to the announcements of the Company dated April 25 and May 18, 2023 and the circular of the Company dated April 26, 2023, in relation to, among others, the adoption of the China Accounting Standards for Business Enterprises ("CASBE").

Since the listing of the Company's Shares on the Stock Exchange, the Company has been complying with the Hong Kong Financial Reporting Standards ("HKFRS") in preparing its financial statements.

However, according to the Consultation Conclusions on Acceptance of Mainland Accounting and Auditing Standards and Mainland Audit Firms for Mainland Incorporated Companies Listed in Hong Kong (《有關接受在香港上市的內地註冊成立公司採用內地的會計及審計準則以及聘用內地會計師事務所的諮詢總結》) published by the Stock Exchange in December 2010, the issuers listed in Hong Kong and incorporated in the mainland China have been approved to adopt CASBE to prepare their financial statements, and China accounting firms recognized by the Ministry of Finance of the People’s Republic of China (the “MOF”) and the China Securities Regulatory Commission (the “CSRC”) are permitted to audit such financial statements by adopting the China Standards on Auditing for Certified Public Accountants. The Company has adopted CASBE instead of HKFRS for preparing its financial statements since January 1, 2023 by way of an ordinary resolution at the annual general meeting of the Company on May 18, 2023. Accordingly, the financial statements of the Company for the year ended December 31, 2023 have been prepared in compliance with CASBE.

REVIEW OF ANNUAL FINANCIAL RESULTS

The Audit Committee has considered and reviewed the consolidated annual results of the Group for the year ended December 31, 2023 and the accounting principles and practices adopted by the Group, and has discussed with management of the Company on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the consolidated annual results of the Group for the year ended December 31, 2023 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 website of the Stock Exchange (www.hkexnews.hk) and the Company’s website (www.microtechmd.com).

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

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“artificial pancreas”	an integrated diabetes management system that tracks blood glucose levels using a continuous glucose monitor and automatically delivers the insulin when needed using an insulin pump according to its control algorithm
“Audit Committee”	the audit committee of the Board
“BGMS”	blood glucose monitoring system

“blood glucose”	blood glucose, also referred to as blood sugar, is the amount of glucose in your blood, an indicator of diabetes monitoring
“Board” or “Board of Directors”	the board of Directors of our Company
“calibration-free”	also known as “factory-calibrated”, the ability to use the sensor without the need for BGMS calibration; while users may opt to calibrate at his/her own discretion, a calibration-free CGMS does not require the user to perform a finger stick blood glucose calibration before displaying the glucose values
“CE marking”	a certification marking that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
“CEO” or “Chief Executive Officer”	chief executive officer of our Company
“CG Code”	the Corporate Governance Code set out in Appendix 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
“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
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“diabetic patients”	a friendly term for diabetics
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Non-executive Directors”	the independent non-executive Directors of the Board
“IVD”	in vitro diagnostic medical devices, referring to devices such as reagent, calibrator, control material, kit, specimen receptacle, software, instrument, apparatus, equipment, or system, whether used alone or in combination, intended by the manufacturer for tests performed on samples taken from the human body, such as swabs of mucus from inside the nose or back of the throat, or blood taken from a vein or fingerstick

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, 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 year ended December 31, 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the capital of our Company with a nominal value of RMB1.0 each
“Shareholder(s)”	holder(s) of our Share(s)
“U.S.”	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, March 27, 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.