微泰医疗®
MICROTECH MEDICAL

MicroTech Medical (Hangzhou) Co., Ltd.
微泰醫療器械(杭州)股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 2235)

Interim Report 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zheng Pan *(Chairman and Chief Executive Officer)*
Dr. Yu Fei
Dr. Shi Yonghui
Ms. Liu Xiu

Non-executive Directors

Mr. Hu Xubo
Ms. Gao Yun

Independent Non-executive Directors

Dr. Li Lihua
Ms. Gao Jian
Ms. Wang Chunfeng
Mr. Ho Kin Cheong Kelvin

SUPERVISORS

Mr. Li Zhenhua
Mr. Lyu Cheng
Mr. Zhao Zhiheng

JOINT COMPANY SECRETARIES

Mr. Duo Bo
Mr. Zhang Mengchi *(associate member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators))*

AUTHORIZED REPRESENTATIVES

Dr. Zheng Pan
Mr. Zhang Mengchi

AUDIT COMMITTEE

Ms. Gao Jian *(Chairperson)*
Ms. Gao Yun
Mr. Ho Kin Cheong Kelvin

REMUNERATION AND ASSESSMENT COMMITTEE

Ms. Wang Chunfeng *(Chairperson)*
Dr. Shi Yonghui
Mr. Ho Kin Cheong Kelvin

NOMINATION COMMITTEE

Dr. Li Lihua *(Chairperson)*
Dr. Zheng Pan
Ms. Gao Jian

STRATEGY COMMITTEE

Dr. Zheng Pan *(Chairperson)*
Mr. Hu Xubo
Dr. Li Lihua

REGISTERED OFFICE

No. 108 Liuze Street
Cangqian Street
Yuhang District, Hangzhou
Zhejiang, China

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Cangqian Street
Yuhang District, Hangzhou
Zhejiang, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

H SHARE REGISTRAR

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17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

HONG KONG LEGAL ADVISER

Davis Polk & Wardwell
18/F, The Hong Kong Club Building
3A Chater Road
Hong Kong

COMPLIANCE ADVISER

Orient Capital (Hong Kong) Limited
28/F-29/F, 100 Queen's Road Central
Central
Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China
Hangzhou Yuhang Branch
No. 998 Wenyi West Road
Yuhang District
Hangzhou, China

Agricultural Bank of China
Hangzhou Xixi Branch
No. 1500 Wenyi West Road
Yuhang District
Hangzhou, China

Bank of China
Hangzhou Chengxi Kechuang Branch
Block 4, No. 998 Wenyi West Road
Wuchang Street
Yuhang District
Hangzhou, China

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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979 King's Road
Quarry Bay
Hong Kong

STOCK CODE

2235

COMPANY'S WEBSITE

www.microtechmd.com

FINANCIAL AND BUSINESS HIGHLIGHTS

Financial Highlights

For the six months ended June 30, 2022, the Group recorded the following unaudited results:

	For the six months ended June 30, 2022 *RMB'000*	For the six months ended June 30, 2021 *RMB'000*	Period-to-period change
Revenue	**71,824**	59,409	20.9%
Gross profit	**31,774**	31,506	0.9%
Net loss	**(7,942)**	(19.056)	(58.3%)
Loss attributable to owners of the parent	**(7,942)**	(19,056)	(58.3%)
Loss per share attributable to ordinary equity holders of the parent			
Basic and diluted	**RMB (0.02)**	RMB (0.05)	(60.0%)

Business Highlights

For the six months ended June 30, 2022, we recorded revenue of RMB71.8 million, representing an increase of 20.9% from RMB59.4 million for the six months ended June 30, 2021. The increase was mainly attributable to (i) the commercialization of AiDEX G7 CGMS; (ii) the growth in domestic market share of Equil patch insulin pumps; and (iii) the steady growth in revenue from BGMS products. Our product portfolio will continue to benefit from the growing user demand for diabetes treatment, monitoring and management in China and globally. Compared with the same period last year, our gross profit increased slightly and gross margin decreased, however, there was an increase as compared with the gross margin for the second half of 2021 primarily due to (i) the continued growth in product commercialization revenue; (ii) the pandemic containment measures in Shanghai and surrounding areas in the second quarter of 2022 had a short-term adverse impact on the Company's supply chains and production costs. With the gradual lifting of the epidemic controls at the end of the second quarter of 2022, the supply chain and production returned to normal.

As of June 30, 2022, we had many significant progresses in our product R&D pipeline, including that (i) we put clinical research efforts in China to extend Equil's application to children and adolescents, and all clinical enrollment is expected to be completed in the third quarter of 2022; (ii) the registration inspection of our second-generation patch insulin pump system is underway in China and it is expected to receive the registration inspection report in the third quarter of 2022; (iii) we are expanding the application of AiDEX G7, our CGMS, to children and adolescents with diabetes, and as of the date of this report, the enrollment of all subjects for the clinical trial was completed; (iv) our new generation AiDEX X CGMS has completed registration inspection and is expected to complete clinical trials before the end of 2022; (v) the registration inspection of our artificial pancreas system, PanCares, is underway in China and it is expected to receive the registration inspection report in the third quarter of 2022; and (vi) Exactive Pro, a three-in-one testing system for blood glucose, ketone and uric acid, received the EU CE marking in May 2022, and has basically completed the clinical and registration works in China. For the six months ended June 30, 2022, our R&D costs as a percentage of sales revenue was 34.2%, representing an increase from the same period last year.

In terms of commercialization, AiDEX G7 sales in China are going well. For the six months ended June 30, 2022, the revenue generated from the sales of AiDEX G7 amounted to RMB12.9 million. In the first half of 2022, we gradually expanded our marketing and sales personnel in professional hospitals, retail pharmacies and e-commerce channels, and continued to cooperate with endocrine/diabetes professional societies for diabetes therapy education, as well as carried out user education and training, branding and product trials through new media channels. Our diabetes management platform based on the cloud big data "Jiantang (檢棠) system" has made entries into more than 300 hospitals. We have also carried out strategic cooperation with Taikang Insurance Group to jointly develop the diabetes treatment efficacy insurance. In the international market, we continued to participate in professional exhibitions for diabetes and medical devices, and continued to recruit localized marketing teams to enhance our local brand awareness and service capabilities overseas. The continued progress of the above work will lay a good foundation for our sales growth in the second half of the 2022 and in the future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

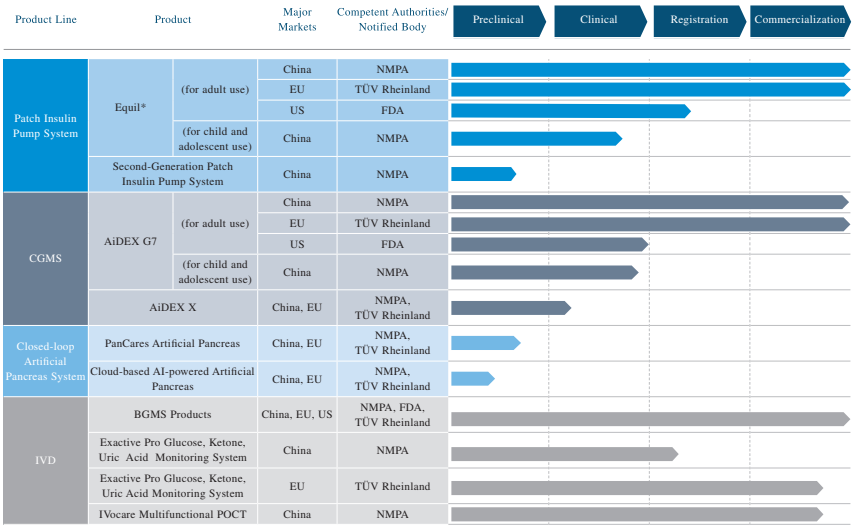
Overview

Our mission is to help diabetic patients lead healthier and better lives in China and across the globe. The Group 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. The Company plans to continue developing multidisciplinary R&D capabilities and meeting changing clinical needs leveraging our diversified product portfolio. The Company will continue to expand its global market through user-centric and clinical data-based marketing strategies and a diversified commercialization pipeline. It will continue to increase production capacity to support growth and achieve economies of scale, establish a cloud-based diabetes management platform, realize the formulation of personalized diabetes solutions, and create a closed-loop diabetes management ecosystem.

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

Products and Product Pipeline

As of June 30, 2022, we had four major categories of products and pipeline candidates. Our products have obtained 14 medical device registration certificates in the PRC. In addition, nine of our products have obtained CE marking in the EU. We also have one product which has obtained 510(k) approval from FDA. We have seven 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 report:



* Core Product

Equil Patch Insulin Pump System—Our Core Product

Equil Patch Insulin Pump System ("Equil"), our Core Product, is a semi-disposable patch insulin pump. Compared to traditional tubed insulin pumps, Equil has many advantages such as more private catheterfree application, more precise micromotor infusion, more safe multiple guarantees, and more economical semi-disposable use, which can help patients better controlling of blood sugar and reduce the occurrence of complications. 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, etc.. We have submitted FDA 510(k) Registration application for Equil in 2021 and we are expecting to receive FDA's approval by the end of 2022 at the earliest.

We are preparing for a pivotal clinical trial in China for the purpose of registering Equil for children's and adolescents' use. As of June 30, 2022, more than 80% of the subjects in the clinical trial had been enrolled, and the clinical enrollment is expected to be completed in the third quarter of 2022. We expect to complete the clinical trial in China and submit the registration application to the NMPA in the second half of 2022.

We are developing our second-generation patch insulin pump system, featuring smaller size, higher waterproof level, better adaptability to insulin reservoirs with larger capacity, and user-friendly operation. The insulin pump, as a continuous insulin delivery device, is also an essential component of the closedloop artificial pancreas system. Our second-generation patch insulin pump system and its internal control algorithms, together with our CGMS, form the core of our closed-loop artificial pancreas system. This product candidate is expected to complete the registration inspection in the third quarter of 2022.

We may not be able to ultimately successfully expand indications of Equil for use in children and adolescents. 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, lowering the patients' risk of hyper/hypoglycemia, and increasing their compliance to treatment regimen without taking routine finger prick blood glucose measurements. AiDEX G7 obtained the marketing approval for adult use from the NMPA in China in November 2021. It is the first marketed calibration-free, real-time CGMS product in China. We initiated a clinical trial in the second half of 2021 to expand the use of AiDEX G7 to children and adolescents with diabetes, and the enrollment of all subjects has been completed as of the date of this report. We expect to complete the clinical trial in China and submit the registration application to the NMPA soonest as at the end of in 2022. We are preparing to submit FDA 510(k) Registration application.

In addition to AiDEX G7, we are leveraging our proprietary technologies to develop a new generation of calibration-free CGMS – AiDEX X. As evidence of our efforts, AiDEX X has completed registration inspection in China in the first half of 2022, and is expected to complete clinical trials by the end of 2022, and submit a registration application to the NMPA in the first quarter of 2023, and submit an MDR application to the EU at the same time. The product focuses more on ease of use, cost economy and convenience and other performances, and makes a complement to AiDEX G7, enabling us to quickly penetrate the market and cover a wide range of user groups with a combination of products. Our CGMS products will also constitute an essential component of our closed-loop artificial pancreas system.

The commercialization of our AiDEX G7 is progressing well. For the six months ended June 30, 2022, the revenue generated from the sales of AiDEX G7 amounted to RMB12.9 million. In the first half of 2022, we gradually expanded our marketing and sales personnel in professional hospitals, retail pharmacies and e-commerce channels, and continued to cooperate with endocrine/diabetes professional societies for diabetes therapy education, as well as carried out user education and training, branding and product trials through new media channels.

We may not be able to ultimately complete the development and sales of AiDEX G7 in the United States, we may not be able to successfully expand the indications of AiDEX G7 for children and adolescents, and we may not be able to complete the development and sales of AiDEX G7 in China and the European Union.

Closed-loop Artificial Pancreas System

The closed-loop artificial pancreas system, featuring the intelligent functions in diabetes intelligent 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 constructed control algorithms, performed multi-parameter simulation analyses, and stress-tested the safety of these product candidates. With closed-loop control as a core feature, our artificial pancreas system is expected to fundamentally improve the monitoring, treatment and management solutions of diabetes. The registration inspection of our artificial pancreas system, PanCares, is underway in China and it is expected to receive the registration inspection report in the third quarter of 2022.

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

IVD Products

BGMS

Since the establishment of the Company, we have developed and commercialized 15 types of blood glucose meters and seven types of test strips in China. In addition, our BGMS products have received marketing approvals in major overseas markets, including FDA and CE marking of the EU. So far, we have developed and commercialized 12 types of blood glucose meters and six types of test strips abroad.

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

Exactive Pro, a three-in-one testing system for blood glucose, ketone and uric acid, received CE marking in the EU on May 20, 2022. As of the date of this report, the product has basically completed the clinical and registration work in China, and 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 complete the development and sales of Exactive Pro in China and overseas successfully.

Our Platform

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

R&D

Our R&D team includes scientists, as well as elite engineers and seasoned experts who graduated from world renowned universities and served top international medical device companies. Our R&D team has outstanding interdisciplinary capabilities in the relevant fields, such as biomedical science, materials science, mechanical engineering, electrical engineering, software engineering, communication engineering and signal processing, electrochemistry, mathematics (algorithm) and artificial intelligence. Our key R&D staff have, on average, over 14 years of relevant R&D experience.

Manufacturing

The Company owns a manufacturing facility with an aggregate area of approximately 15,000 sq.m. in Hangzhou, China, for the manufacturing of our products and product candidates. Our manufacturing facility complies with GMP regulations in the U.S., the EU and China and adheres to strict production and quality control standards to ensure high product quality and safety. We conduct all the key manufacturing procedures in-house. In recent years, we have accumulated a wealth of expertise and skills in the production of diabetes monitoring medical devices, providing us with a solid foundation for rapid growth. In the first half of 2022, we built a new production line for the production of instrument products and optimized the manufacturing process. After being put into use, we will make efficient production throughout all production links, such as material transfer and product production, so as to meet the growing demand for capacity and improve production efficiency. As of the date of this report, the production capacity of our CGMS has been able to meet the sales growth demand in the second half of the year.

Commercialization

The Company uses a combination of our in-house sales and marketing team and a network of independent distributors to sell our products in China and globally. Our marketing strategy focuses on building awareness for the benefits of our products and generating demand and acceptance for our products among healthcare professionals and patients through our user-centric and clinical-data-driven promotion. Our highly trained sales and marketing team focuses on interacting with physicians and patients to educate them about, and train them in the use method of, our products. We also regularly organize and attend training courses, academic forums, seminars, and other activities at national, regional and local levels, so as to increase awareness and penetration of our products. In early 2022, we set up branches in Beijing and Shanghai to support and encourage our local colleagues, which is conducive to our business development in different regions. In the first half of 2022, we expanded our marketing and sales personnel in specialized hospitals, retail pharmacies and e-commerce channels, and continued to cooperate with endocrine/diabetes professional societies for diabetes therapy education, as well as carried out user education and training, branding and product trials through new media channels. Our diabetes management platform based on cloud big data "Jiantang（檢棠）system" has made entries into more than 300 hospitals. We have also carried out strategic cooperation with Taikang Insurance Group to jointly develop the diabetes treatment efficacy insurance, which has completed the phase I pilot in Shenzhen, Guangdong Province. In the international market, we continued to participate in professional exhibitions for diabetes and medical devices, and continued to recruit localized marketing teams to increase our local brand awareness and service capabilities overseas.

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 report.

Revenue

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

For the six months ended June 30, 2022, the Group's revenue was RMB71.8 million, representing an increase of 20.9% from RMB59.4 million for the six months ended June 30, 2021. The increase was mainly due to the increased sales of CGMS and BGMS. Although the sales revenue of domestic insulin pump system products increased slightly, the overall sales revenue of insulin pump system products declined in the first half of 2022 due to the limited international transportation capacity and repeated outbreak of COVID-19, affecting the sales of international distributors, which in turn has a temporary and adverse impact on the export of insulin pump system products.

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

	For the six months ended June 30,			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Equil	**24,639**	**34.3**	28,977	48.8
BGMS	**32,508**	**45.3**	27,120	45.6
CGMS	**12,867**	**17.9**	618	1.0
Others	**1,810**	**2.5**	2,694	4.6
Total	**71,824**	**100.0**	59,409	100.0

Cost of Sales

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

For the six months ended June 30, 2022, the Group's cost of sales was RMB40.1 million, representing an increase of 43.7% from RMB27.9 million for the six months ended June 30, 2021. 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 0.9% from RMB31.5 million for the six months ended June 30, 2021 to RMB31.8 million for the six months ended June 30, 2022. Gross margin is calculated at gross profit divided by revenue. Due to the temporary pandemic controls in the second quarter of 2022, especially in Shanghai and surrounding areas, which affected the supply of raw materials of the Group, and the measures taken by the Company such as supply chain switching verification, which had a temporary and adverse impact on production costs and other factors, the Group's overall gross margin decreased from 53.0% for the six months ended June 30, 2021 to 44.2% for the six months ended June 30, 2022; however, there was an increase as compared with the gross margin for the second half of 2021. With the successful commercialization of CGMS in the future, and the gradual lifting of the epidemic controls at the end of the second quarter of 2022, as well as the supply chain and production returning to normal, we expect that the overall gross profit and gross margin will grow rapidly in the second half of 2022.

Other Income and Gains

Our other income and gains increased by 271.7% from RMB10.6 million for the six months ended June 30, 2021 to RMB39.4 million for the six months ended June 30, 2022, mainly due to an increase in bank deposit interest and foreign currency exchange gains.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 63.9% from RMB23.8 million for the six months ended June 30, 2021 to RMB39.0 million for the six months ended June 30, 2022, mainly due to the expansion of marketing teams and an increase in marketing costs.

Administrative Expenses

Our administrative expenses decreased by 30.7% from RMB21.5 million for the six months ended June 30, 2021 to RMB14.9 million for the six months ended June 30, 2022, mainly due to a decrease in equity-settled share-based expense of RMB12.4 million and an increase in staff costs, office expense and depreciation and amortization expenses of RMB5.1 million.

Research and Development Expenses

Our research and development expenses increased by 68.5% from RMB14.6 million for the six months ended June 30, 2021 to RMB24.6 million for the six months ended June 30, 2022, primarily due to an increase in staff costs and experimental materials.

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

	For the six months ended June 30,			
	2022		2021	
	RMB'000	*%*	*RMB'000*	*%*
Staff costs	**12,044**	**49.0**	6,372	43.7
Depreciation and amortization	**1,619**	**6.6**	1,826	12.5
Service fees	**4,692**	**19.1**	3,114	21.4
Raw material costs	**5,378**	**21.9**	1,967	13.5
Travelling and entertainment expense	**407**	**1.7**	79	0.5
Others	**445**	**1.7**	1,217	8.4
Total	**24,585**	**100.0**	14,575	100.0

Income Tax Expense

Our income tax expense was nil for the six months ended June 30, 2021 and the six months ended June 30, 2022.

Loss for the Reporting Period

As a result of the foregoing, we incurred losses of RMB19.1 million and RMB7.9 million for the six months ended June 30, 2021 and the six months ended June 30, 2022, respectively.

Loans and Gearing Ratio

As of June 30, 2022, the Group had no interest-bearing bank and other borrowings. The gearing ratio is calculated at the Group's debts divided by assets. As of June 30, 2022, the Group's gearing ratio was 3.3%.

Significant Investment held

The Group had no significant investment held during the six months ended June 30, 2022.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended June 30, 2022.

Capital Expenditure

For the six months ended June 30, 2022, the total capital expenditure of the Group amounted to RMB10.5 million, primarily for upgrading our existing production lines and purchasing new machinery.

Contingent Liabilities

As at June 30, 2022, we had no contingent liabilities.

Charge of Assets

As at June 30, 2022, the Company did not charge any fixed assets as securities for borrowings.

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 and neither did we have any foreign currency net investments which were hedged by currency borrowings and other hedging instruments during the Reporting Period. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise.

Employees and Remuneration

As of June 30, 2022, we had 664 employees (including labor outsourcing personnel).

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 Plan for Material Investments or Capital Assets

Save for the "Future Plans and Use of Proceeds" disclosed in the Prospectus, the Group did not have any existing plan for acquiring other material investments or capital assets.

FUTURE AND PROSPECTS

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 solutions 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, and continue to improve the local market share and brand reputation of patch insulin pump Equil 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 who are suitable for insulin pump therapy but have not received or are not aware of intensive insulin therapy, and accordingly the market potential is huge. We expect the market size of China's insulin pump market to grow significantly due to the increasing recognition of insulin pumps for their clinical efficacy and the wider adoption of intensive insulin therapy.

Since the commercialization of patch insulin pump Equil in China, our products have been used in more than 1,000 local hospitals. The Company has established a sales network consisting of more than 300 distributors, covering the sales of Equil in 30 provinces, municipalities and autonomous regions in mainland China. Internationally, in order to promote our Equil in global commercialization, we strengthened the promotion of offshore channels of products and the local marketing by international business personnel, the establishment of wider sales channels and networks, which have promoted our products in the local reputation. We also tightened cooperation with the local distributors through irregular training. These provide a sound foundation for our sales growth going forward. 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 more portable and more affordable products. In the second half of 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 comprehensive use of the internal marketing team and the distributor network to reach the patient end-users, continue to provide product on-site display and training courses to popularize intensive insulin therapy, and regularly participate in seminars with top KOLs and medical experts to enhance the acceptance of insulin pump therapy in diabetic patient group, continuing to expand the accessibility and popularity of Equil brand products.

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 multicenter clinical study of the product have been published in internationally renowned journals previously. The product's mean absolute relative difference (MARD) is 9.08% as compared with the venous blood reference value, which is at the international leading level.

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 a 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 allow the Company to benefit from the higher level of medical expenses and insurance coverage in the above-mentioned regions, as well as the higher acceptance of intensive diabetes treatment and continuous monitoring and management therapy by local physicians and patients.

Currently, the Company has successfully expanded market access and product sales in more than ten countries in Europe, as well as in the Middle East, North Africa and other countries. Our Equil brand has been sold and used in Italy, the Netherlands and other countries, and has been well received by local physicians and patients. We have submitted a FDA 510(k) registration application for Equil in 2021 and we are expecting to receive FDA's approval by the end of 2022. The Company's AiDEX G7 CGMS product has now entered the core European markets such as the United Kingdom and Italy. In the second half of 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 BGMS 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 and 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 the second half of 2022, we will continue to promote the development and clinical registration of existing product candidates under development, complete the expansion of indications of Equil and CGMS for children and adolescents, and promote the R&D and clinical work of more advanced secondgeneration patch insulin pumps and AiDEX X CGMS. 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 June 30, 2022, the COVID-19 pandemic had not been contained globally 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 impact 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 conditions will depend on numerous factors beyond our control, including the extent of resurgences of the virus 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 that the COVID-19 pandemic will not further escalate or have a material adverse effect on our results of operations, financial conditions 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 could be also delayed or prevented by any delay or failure in subject recruitment or enrollment.

Events after the Reporting Period

On July 28, 2022, the Group received an official approval from the China Securities Regulatory Commission regarding the implementation of the full circulation of H Shares, pursuant to which up to 104,580,329 Domestic Shares can be converted into H Shares for listing thereof on the Stock Exchange. For more related details, please refer to the Company's announcement dated August 3, 2022.

On August 29, 2022, the Stock Exchange granted an approval for listing of and permission to deal in 104,580,329 H Shares (Domestic Unlisted Shares converted under the Conversion and Listing, including Unlisted Foreign Shares and Domestic Shares). For more related details, please refer to the Company's announcement dated September 1, 2022.

Save as mentioned above, there had not been any events of material impact on the Group since June 30, 2022 and up to the date of this report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Corporate Governance

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

Code provision C.2.1 of the CG Code provides that the roles of the chairman of the board and the CEO should be separated and should not be performed by the same individual. As at the date of this report, the roles of the Chairman and the CEO of the Company are held by Dr. Zheng Pan. 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 of 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 of the Company at the time when it is appropriate by taking into account the circumstances of the Group as a whole.

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

Compliance with Model Code

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

Audit Committee

The Audit Committee has considered and reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2022 and the accounting principles and practices adopted by the Group, and has discussed with the management on issues in relation to internal control, risk management and financial reporting. The Audit Committee is of the opinion that the unaudited interim condensed consolidated financial information of the Group for the six months ended June 30, 2022 are in compliance with the relevant accounting standards, laws and regulations.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended June 30, 2022.

USE OF PROCEEDS FROM THE LISTING OF SHARES OF THE COMPANY

The shares of the Company were listed on October 19, 2021 and the over-allotment option was partially exercised on November 10, 2021. The Company obtained net proceeds of HK$1,875.53 million (equivalent to RMB1,533.49 million) in total after deducting the underwriting fees and other estimated expenses in connection with the Global Offering and the partial exercise of the over-allotment option. The table below sets forth a detailed breakdown and description of the use of net proceeds from the listing of the shares of Company up to June 30, 2022:

	% of use of net proceeds *(Approximate)*	Net proceeds from the IPO *(HKD million)*	Net proceeds from the IPO *(RMB million)*	Actual usage up to June 30, 2022 *(RMB million)*	Unutilized net proceeds as of June 30, 2022 *(RMB million)*
To fund our Core Product	31%	581.42	475.38	7.63	467.75
– to fund ongoing and planned clinical trials of our Core Product for its further development, including but not limited to clinical trials for our Core Product's indication expansion, to prepare for and carry out registration of our Core Product in major markets worldwide	14%	262.58	214.69	2.97	211.72
– to enhance our commercialization capabilities for our Core Product through expanding our global footprint by recruiting high-caliber sales staff with extensive local experience and establishing long-term cooperation with leading distribution partners, and organizing and participating in academic conferences and activities, among other efforts	11%	206.31	168.68	1.01	167.67
– to fund the expansion of our manufacturing capacity of our Core Product, by upgrading our existing production lines, recruiting personnel and purchasing new machinery	6%	112.53	92.01	3.65	88.36

	% of use of net proceeds *(Approximate)*	Net proceeds from the IPO *(HKD million)*	Net proceeds from the IPO *(RMB million)*	Actual usage up to June 30, 2022 *(RMB million)*	Unutilized net proceeds as of June 30, 2022 *(RMB million)*
For our CGMS	35%	656.43	536.73	9.79	526.94
– to fund the pre-clinical studies, including but not limited to develop the second generation of our CGMS product, AiDEX X	10%	187.55	153.35	2.22	151.13
– to fund clinical trials of our AiDEX G7	12%	225.06	184.03	1.41	182.62
– to fund the expansion of our manufacturing capacity of our CGMS	6%	112.53	92.01	5.21	86.8
– to enhance our commercialization capabilities for our CGMS	7%	131.29	107.34	0.95	106.39
For the pre-clinical studies, clinical trials, registration, manufacturing and commercialization of our second-generation patch insulin pump system	11%	206.31	168.68	5.73	162.95
For the pre-clinical studies, clinical trials, registration, manufacturing and commercialization of our other products and product candidates	8%	150.04	122.68	1.66	121.02
To fund the establishment of our cloud-based diabetes management platform	5%	93.78	76.67	5.00	71.67
For working capital and other general corporate purposes	10%	187.55	153.35	69.95	83.40
Total	100%	1,875.53	1,533.49	99.76	1433.73

Notes:

(1) Net IPO proceeds were received in Hong Kong dollars and translated to Renminbi for application planning.

(2) The unutilized net proceeds of RMB1,433.73 million as of June 30, 2022 is expected to be fully utilized by December 31, 2025, subject to further adjustments based on the current and future development of market conditions and actual business needs of the Group. The remaining balance of the net proceeds have been deposited in bank. The Group expects that the remaining net proceeds shall be utilized gradually in accordance to the actual business needs and in the manner stated in the Prospectus. There was no change in the intended use of the unutilized net proceeds as previously disclosed in the Prospectus.

CHANGE OF INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT MEMBERS

On August 29, 2022, our Board resolved to change the secretary to the Board from Ms. Liu Xiu to Dr. Shi Yonghui, with immediate effect.

Save as disclosed below, there was no change to information which was required to be disclosed by Directors, Supervisors and senior management members of the Company pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period.

INTERESTS AND SHORT POSITIONS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at June 30, 2022, the interests or short positions of Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which are entered in the register referred to therein in accordance with Section 352 of the Securities and Futures Ordinance; or which shall be separately notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code, were as follows:

Name of Director	Nature of interest	Class of Shares	Number of underlying Shares held	Approximate percentage in the relevant class of Shares[1]	Approximate percentage of shareholding interest[1]
Dr. Zheng	Beneficial owner	Domestic Shares	88,278,594 (L) [2]	30.82%	20.74%
	Interests in controlled corporation	Domestic Shares	34,729,562 (L) [2]	12.12%	8.16%
Mr. Hu Xubo	Interests in controlled corporation	Domestic Shares	16,055,165 (L) [2]	5.60%	3.77%
Mr. Shi Yonghui	Beneficial owner	H Shares	459,500 (L) [2]	0.70%	0.11%

Notes:

(1) As June 30, 2022, the Company had 425,742,600 issued shares in total, comprising 65,742,600 H Shares, 286,473,574 Domestic Shares and 73,526,426 Unlisted Foreign Shares.

(2) "L" means holding a long position in Shares.

Save as disclosed above, so far as the Directors are aware, as at June 30, 2022, none of the Directors, Supervisors or chief executives of the Company has any interest and/or short position in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

To the best of the knowledge of the Company and the Directors, the following are the persons, other than the Directors, Supervisors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO as at June 30, 2022.

Name of substantial shareholder	Nature of interest	Class of Shares	Number of Shares interested	Approximate percentage in the relevant class of Shares [1]	Approximate percentage of shareholding interest[1]
Hangzhou Yantai Investment Partnership (Limited Partnership) (杭州研泰投資合夥企業(有限合夥)) ("Hangzhou Yantai")[3]	Beneficial owner	Domestic Shares	19,031,297	6.64%(L) [2]	4.47%
Hangzhou Hengtai Brand Management Partnership (Limited Partnership) (杭州衡泰品牌管理合夥企業(有限合夥)) ("Hangzhou Hengtai")[3]	Beneficial owner	Domestic Shares	15,698,265	5.48%(L) [2]	3.69%

Name of substantial shareholder	Nature of interest	Class of Shares	Number of Shares interested	Approximate percentage in the relevant class of Shares [1]	Approximate percentage of shareholding interest[1]
QM32 Limited[4]	Beneficial owner	Unlisted Foreign Shares	34,071,947	46.34%(L) [2]	8.00%
Zhejiang Jiuren Capital Management Co.,Ltd. (浙江九仁資本管理有限公司) [5]	Interest in controlled corporations	Domestic Shares	28,027,046	9.78%(L) [2]	6.58%
Shi Yi (施毅) [6]	Interest in controlled corporations	Unlisted Foreign Shares	25,637,520	34.87%(L) [2]	6.02%
		H Shares	3,528,100	5.37%(L) [2]	0.83%
Zhu Yong (朱勇) [7]	Interest in controlled corporations	Domestic Shares	23,517,076	8.21%(L) [2]	5.52%
Jiangsu Jiequan Lize Health Industry Venture Capital Fund (Limited Partnership) (江蘇聿泉醴澤健康產業創業投資基金 (有限合夥)) [7]	Beneficial owner	Domestic Shares	23,517,076	8.21%(L) [2]	5.52%
Chen Fei (陳飛) [8]	Interest in controlled corporations	Domestic Shares	21,776,804	7.60%(L) [2]	5.12%
Shanghai Liyao Investment Management Co., Ltd. (上海禮曜投資管理有限公司) [8]	Interest in controlled corporations	Domestic Shares	21,776,804	7.60%(L) [2]	5.12%
Yu Jia (于佳) [9]	Interest in controlled corporations	Domestic Shares	16,055,165	5.60%(L) [2]	3.77%
Suzhou Qiming Ronghe Venture Capital Partnership (Limited Partnership) (蘇州啟明融合創業投資合夥企業 (有限合夥)) ("Suzhou Qiming") [9]	Beneficial owner	Domestic Shares	16,055,165	5.60%(L) [2]	3.77%
Tan Ching (談慶) [10]	Interest in controlled corporations	Unlisted Foreign Shares	6,958,131	9.46%(L) [2]	1.63%
Power SUM Limited[10]	Beneficial owner	Unlisted Foreign Shares	6,958,131	9.46%(L) [2]	1.63%

Name of substantial shareholder	Nature of interest	Class of Shares	Number of Shares interested	Approximate percentage in the relevant class of Shares [1]	Approximate percentage of shareholding interest[1]
QM153 Limited[11]	Beneficial owner	Unlisted Foreign Shares	6,858,828	9.33%(L) [2]	1.61%
Invesco Advisers, Inc.	Investment Manager	H Shares	13,289,200	20.21%(L) [2]	3.12%
Invesco Developing Markets Funds	Person having a security interest in Shares	H Shares	9,711,800	14.77%(L) [2]	2.28%
UBS Group AG [12]	Investment Manager	H Shares	7,474,306	11.37%(L) [2]	1.76%
China International Capital Corporation Limited [13]	Interest in controlled corporations	H Shares	4,192,936	6.38%(L) [2]	0.98%
FMR LLC[14]	Interest in controlled corporations	H Shares	3,773,663	5.74%(L) [2]	0.89%

Note:

(1) As at June 30, 2022, the Company had 425,742,600 issued shares in total, comprising 65,742,600 H Shares, 286,473,574 Domestic Shares and 73,526,426 Unlisted Foreign Shares.

(2) "L" means holding a long position in Shares.

(3) Dr. Zheng, being the sole general partner, controls Hangzhou Yantai and Hangzhou Hengtai, both of which are employee incentive platforms. Therefore, under the SFO, in addition to his direct shareholding, Dr. Zheng is also deemed to be interested in the 19,031,297 Domestic Shares through Hangzhou Yantai and the 15,698,265 Domestic Shares through Hangzhou Hengtai, respectively.

(4) QM32 Limited is held as to 96.99% by Qiming Venture Partners V, L.P., which is managed by Qiming GP V, L.P., which is in turn managed by Qiming Corporate GP V, Ltd. Therefore, Qiming Venture Partners V, L.P., Qiming GP V, L.P. and Qiming Corporate GP V, Ltd. are deemed to be interested in the interest of QM32 Limited under the SFO.

(5) Zhejiang Jiuren Capital Management Co., Ltd. manages Hangzhou Jiuyao Equity Investment Partnership (Limited Partnership) (杭州九珧股權投資合夥企業(有限合夥)) ("Hangzhou Jiuyao"), Hangzhou Jiufu Equity Investment Partnership (Limited Partnership) (杭州九賦股權投資合夥企業(有限合夥))("Hangzhou Jiufu"), Hangzhou Yunbo Investment Partnership (Limited Partnership) (杭州雲帛投資合夥企業(有限合夥)) ("Hangzhou Yunbo") and Hangzhou Jiuge Equity Investment Partnership (Limited Partnership) (杭州九歌股權投資合夥企業(有限合夥)) ("Hangzhou Jiuge") in its capacity as the fund manager of these funds. Therefore, under SFO, Zhejiang Jiuren Capital Management Co., Ltd. is deemed to be interested in (i) the 10,683,565 Domestic Shares held by Hangzhou Jiuyao; (ii) the 10,683,565 Domestic Shares held by Hangzhou Jiufu; (iii) the 3,804,018 Domestic Shares held by Hangzhou Yunbo; and (iv) the 2,855,898 Domestic Shares held by Hangzhou Jiuge.

(6) LAV Evergreen (Hong Kong) Co., Limited is wholly-owned by Lilly Asia Ventures Fund II, L.P., which is managed by Lilly Asia Ventures Fund GP, L.P., which in turn is managed by LAV Corporate GP, Ltd., a company wholly-owned by Mr. Shi Yi. LAV Star Limited, being a cornerstone investor of the Company, is wholly-owned by LAV Fund VI, L.P. and LAV Star Opportunities Limited, being a cornerstone investor of the Company, is wholly-owned by LAV Fund VI Opportunities, L.P. (together with LAV Fund VI, L.P., collectively, the "LAV Fund VI"), each is ultimately controlled by Mr. Shi Yi. LAV Star Limited and LAV Star Opportunities Limited collectively own 3,528,100 H Shares. Therefore, (1) Lilly Asia Ventures Fund II, L.P., Lilly Asia Ventures Fund GP, L.P., LAV Corporate GP, Ltd. and Mr. Shi Yi are deemed to be interested in the 25,637,520 Unlisted Foreign Shares held by LAV Evergreen (Hong Kong) Co., Limited under the SFO; (2) Mr. Shi Yi is deemed to be interested in the 3,528,100 H Shares held by LAV Star Limited and LAV Star Opportunities Limited under the SFO.

(7) Jiangsu Jiequan Lize Health Industry Venture Capital Fund (Limited Partnership) (江蘇聿泉醴澤健康產業創業投資基金(有限合夥)) is managed by Jiangsu Lize Investment Management Co., Ltd. (江蘇醴澤投資管理有限公司), a company wholly-owned by Mr. Zhu Yong. Therefore, Jiangsu Lize Investment Management Co., Ltd. and Mr. Zhu Yong are deemed to be interested in the 23,517,076 Domestic Shares held by Jiangsu Jiequan Lize Health Industry Venture Capital Fund (Limited Partnership) under the SFO.

(8) Shanghai Li'an Venture Capital Investment Center (Limited Partnership) (上海禮安創業投資中心(有限合夥)) and Suzhou Likang Equity Investment Center (Limited Partnership) (蘇州禮康股權投資中心(有限合夥)) are both managed by Shanghai Liyi Investment Management Partnership (Limited Partnership) (上海禮頤投資管理合夥企業(有限合夥)), which in turn is managed by Shanghai Liyao Investment Management Co., Ltd. (上海禮曜投資管理有限公司). Shanghai Liyao Investment Management Co., Ltd. (上海禮曜投資管理有限公司) is wholly-owned by Mr. Chen Fei (陳飛). Therefore, Mr. Chen Fei, Shanghai Liyi Investment Management Partnership (Limited Partnership) and Shanghai Liyao Investment Management Co., Ltd. are deemed to be interested in (i) the 11,983,877 Domestic Shares held by Shanghai Li'an Venture Capital Investment Center (Limited Partnership); and (ii) the 9,792,927 Domestic Shares held by Suzhou Likang Equity Investment Center (Limited Partnership) under the SFO.

(9) Suzhou Qiming is managed by Suzhou Qicheng Investment Management Partnership (Limited Partnership) (蘇州啟承投資管理合夥企業(有限合夥)), which is in turn managed by Shanghai Qichang Investment Consulting Co., Ltd. (上海啟昌投資諮詢有限公司), a company held as to 50% and 50% by Mr. Hu Xubo, a non-executive Director of our Company, and Ms. Yu Jia (于佳), respectively. Therefore, Suzhou Qicheng Investment Management Partnership (Limited Partnership), Shanghai Qichang Investment Consulting Co., Ltd., Mr. Hu Xubo and Ms. Yu Jia are deemed to be interested in the 16,055,165 Domestic Shares held by Suzhou Qiming under the SFO. For the disclosure of Mr. Hu Xubo's interests under Part XV of the SFO, please refer to page 29 of this report.

(10) Power SUM Limited is wholly-owned by Master Summer Limited, which is controlled by CDBI Partners Fund I, L.P., a limited partnership with CDBI Partners GP, Ltd being its general partner which is in turn controlled by Mr. Tan Ching (談慶). Therefore, Master Summer Limited, CDBI Partners Fund I, L.P., CDBI Partners GP, Ltd and Mr. Tan Ching are deemed to be interested in the 6,958,131 Unlisted Foreign Shares held by Power SUM Limited under the SFO.

(11) QM153 Limited is held as to 99.09% by Qiming Venture Partners VII, L.P., whose sole general partner is Qiming GP VII, LLC. Therefore, Qiming Venture Partners VII, L.P. and Qiming GP VII, LLC are deemed to be interested in the 6,858,828 Unlisted Foreign Shares held by QM153 Limited under the SFO.

(12) UBS Group AG directly wholly owns (i) UBS AG, which directly owns 1,094,606 H Shares; (ii) UBS Asset Management (Hong Kong) Ltd，which directly owns 74,100 H Shares; and (iii) UBS Fund Management (Luxembourg) S.A., which directly owns 6,305,600 H Shares. As such, UBS Group AG is deemed to be interested in an aggregate of 7,474,306 H Shares.

(13) China International Capital Corporation Limited indirectly wholly owns China International Capital Corporation Hong Kong Securities Limited, which directly owns 4,192,936 H Shares. As such China International Capital Corporation Limited is deemed to be interested in 4,192,936 H Shares.

(14) FMR LLC directly owns FIDELITY MANAGEMENT & RESEARCH COMPANY LLC which wholly owns FIDELITY MANAGEMENT & RESEARCH (HONG KONG) LIMITED, which directly owns 3,773,663 H Shares. As such, FMR LLC is deemed to be interested in 3,773,663 H Shares.

Save as disclosed above, as at June 30, 2022, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors, Supervisors and the chief executives of the Company) who had an interest or short position in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register required to be kept by the Company pursuant to Section 336 of the SFO.

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors or the Supervisors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouse or children under the age of 18 had any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

EMPLOYEE INCENTIVE SCHEMES

The following is a summary of the principal terms of the employee incentive schemes dated January 2, 2018 (as amended on September 21, 2020) and December 25, 2019 (as amended on September 21, 2020) respectively (collectively, the "Incentive Schemes"). The terms of the Incentive Schemes are not subject to the provisions of Chapter 17 of the Listing Rules as the Incentive Schemes do not involve the grant of options by our Company after the Listing. Given the underlying Shares under the Incentive Schemes had already been issued, there will not be any dilution effect to the issued Shares upon the vesting of the Shares under the Incentive Schemes. No further award will be granted after the Listing.

The Company had established two Employee Incentive Platforms, namely Hangzhou Yantai and Hangzhou Hengtai. The two Employee Incentive Platforms, in aggregate, held 34,729,562 Domestic Shares.

(a) Objectives

The purpose of the Incentive Schemes is to build an incentive mechanism for the management members and core employees of our Company, attracting talents in the labour market to raise the core competitiveness of the Company. The Incentive Schemes also serves the purpose of achieving efficient and high-quality management of the Company.

(b) Eligibility

Pursuant to the incentive scheme documents (the "Scheme Documents"), participants of the Incentive Schemes include the Company's senior management members and core employees. The Scheme Documents further provided that the following employees may not be selected as participants to the Incentive Schemes (as applicable):

- Employees who have received public censure from any stock exchange or have been declared as disqualified persons for the preceding three years;
- Employees who have received administrative penalties from CSRC due to material violation of laws and regulations for the preceding three years;

- Employees who are forbidden to hold the position of director or senior management pursuant to the PRC Company Law; or

- Employees who are otherwise not eligible due to serious violations of laws, regulations and the policies of the Company as determined by the Board.

(c) Grant of Award

The sole general partner of Hangzhou Yantai and Hangzhou Hengtai is Dr. Zheng and in effect, all management powers and voting rights of the Employee Incentive Platforms reside with the sole general partner, Dr. Zheng.

All selected participants do not have any voting rights in the Company. The selected participants will be granted awards in the form of economic interest in the Employee Incentive Platforms as a limited partner of the relevant Employee Incentive Platform. Upon becoming the limited partner of the Employee Incentive Platforms, the selected participants indirectly receive economic interest in the corresponding number of underlying Shares held by the Employee Incentive Platforms.

(d) Administration of the Incentive Schemes

The Board retain full discretion over the following matters of the Incentive Schemes:

- the selection of participants in the Incentive Schemes, which currently include Directors, core employees and senior management members of our Group; and

- the implementation, amendment and termination of the Incentive Schemes.

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

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) RMB'000	2021 (Unaudited) RMB'000
REVENUE	4	71,824	59,409
Cost of sales		(40,050)	(27,903)
Gross profit		31,774	31,506
Other income and gain		39,431	10,586
Selling and distribution expenses		(39,000)	(23,794)
Administrative expenses		(14,891)	(21,520)
Impairment losses on financial assets, net		(529)	(343)
Research and development costs		(24,585)	(14,575)
Other expenses		(66)	(914)
Finance costs		(76)	(2)
LOSS BEFORE TAX	5	(7,942)	(19,056)
Income tax expense	6	–	–
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		(7,942)	(19,056)
Attributable to:			
Owners of the parent		(7,942)	(19,056)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	RMB(0.02)	RMB(0.05)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022

	Notes	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**72,770**	73,184
Intangible assets		**13,258**	13,793
Investment properties		**7,047**	–
Right-of-use assets		**7,057**	6,938
Prepayments, other receivables and other assets		**3,573**	1,959
Total non-current assets		**103,705**	95,874
CURRENT ASSETS			
Inventories		**60,994**	34,165
Trade receivables	*10*	**29,508**	27,770
Prepayments, other receivables and other assets		**18,184**	20,352
Cash and cash equivalents		**2,103,738**	2,150,978
Total current assets		**2,212,424**	2,233,265
CURRENT LIABILITIES			
Trade payables	*11*	**22,638**	14,115
Lease liabilities		**339**	115
Other payables and accruals		**39,911**	61,722
Contract liabilities		**14,447**	6,386
Total current liabilities		**77,335**	82,338
NET CURRENT ASSETS		**2,135,089**	2,150,927
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,238,794**	2,246,801
NON-CURRENT LIABILITIES			
Lease liabilities		**75**	140
Total non-current liabilities		**75**	140
Net assets		**2,238,719**	2,246,661
EQUITY			
Equity attributable to owners of the parent			
Share capital		**425,743**	425,743
Reserves		**1,812,976**	1,820,918
Total equity		**2,238,719**	2,246,661

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to owners of the parent					
	Share capital *RMB'000*	Share premium* *RMB'000*	Other reserves* *RMB'000*	Share award reserve* *RMB'000*	Retained profits/ (accumulated losses)* *RMB'000*	Total equity *RMB'000*
At 1 January 2022 (audited)	425,743	1,724,324	(128,461)	204,263	20,792	2,246,661
Loss and total comprehensive loss for the period	–	–	–	–	(7,942)	(7,942)
At 30 June 2022 (unaudited)	425,743	1,724,324	(128,461)	204,263	12,850	2,238,719

* These reserve accounts comprise the consolidated reserves of RMB1,812,976,000 (six months ended 30 June 2021: RMB1,820,918,000) in the interim condensed consolidated statement of financial position as at 30 June 2022.

For the six months ended 30 June 2021

	Attributable to owners of the parent					
	Share capital *RMB'000*	Share premium *RMB'000*	Other reserves *RMB'000*	Share award reserve *RMB'000*	Retained profits/ (accumulated losses) *RMB'000*	Total equity *RMB'000*
At 1 January 2021 (audited)	360,000	236,203	(128,461)	191,830	68,945	728,517
Loss and total comprehensive loss for the period	–	–	–	–	(19,056)	(19,056)
Equity-settled share award expense	–	–	–	12,433	–	12,433
At 30 June 2021 (unaudited)	360,000	236,203	(128,461)	204,263	49,889	721,894

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(7,942)**	(19,056)
Adjustments for:			
Finance costs		**76**	2
Bank interest income		**(23,925)**	(9,403)
Investment income from financial assets at fair value through profit or loss		**–**	(963)
Depreciation of property, plant and equipment	*5*	**3,698**	2,936
Amortization of investment properties		**130**	–
Depreciation of right-of-use assets	*5*	**165**	157
Amortisation of intangible assets	*5*	**1,019**	844
Impairment of trade receivables, net		**(372)**	343
Write-down of inventories to net realisable value		**901**	298
Equity-settled share award expense		**–**	12,433
Foreign exchange differences, net	*5*	**(14,013)**	864
		(40,263)	(11,545)
Increase in inventories		**(27,730)**	(5,338)
Increase in trade receivables		**(1,366)**	(5,412)
Decrease in prepayments, other receivables and other assets		**2,115**	332
Increase in trade payables		**8,523**	832
Increase in other payables and accruals		**280**	3,147
Increase/(decrease) in contract liabilities		**8,061**	(1,246)
Cash used in operations		**(50,380)**	(19,230)
Interest received		**23,925**	9,403
Net cash flows used in operating activities		**(26,455)**	(9,827)

	Notes	2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(13,603)**	(5,935)
Purchases of intangible assets		**(410)**	(182)
Proceeds from maturity of financial assets at fair value through profit or loss		**–**	95,000
Investment income from financial assets at fair value through profit or loss		**–**	922
(Increase)/decrease in time deposits with original maturity of over three months		**–**	10,000
Net cash flows (used in)/from investing activities		**(14,013)**	99,805
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		**(200)**	(41)
Interest paid		**(76)**	(2)
Payment for deferred listing expenses		**(20,509)**	(10,129)
Net cash flows used in financing activities		**(20,785)**	(10,172)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(61,253)**	79,806
Cash and cash equivalents at beginning of period		**2,150,978**	539,800
Effect of foreign exchange rate changes, net		**14,013**	(864)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**2,103,738**	618,742
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position		**2,103,738**	618,742
Cash and cash equivalents as stated in the interim condensed consolidated statement of cash flows		**2,103,738**	618,742

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a joint stock company with limited liability established in the People's Republic of China ("PRC"), whose shares are publicly traded. The registered office of the Company is located at No. 108 Liuze Street, Cangqian Street, Yuhang District, Hangzhou, Zhejiang, China. The Group is principally engaged in the research and development and 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 on 19 October 2021.

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

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

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

(a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2. BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

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

(d) Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

(i) HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

(ii) HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
Revenue from contracts with customers		
Sale of medical devices and consumables	70,528	59,409
Revenue from other sources		
Other lease payments, including fixed payments	1,296	–
	71,824	59,409

Revenue from contracts with customers

(a) Disaggregated revenue information

	For the six months ended 30 June	
	2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
Type of goods		
Sale of medical devices and consumables	70,528	59,409
Geographical markets		
Mainland China	51,839	39,721
Other countries/regions	18,689	19,688
	70,528	59,409
Timing of revenue recognition		
Goods transferred at a point in time	70,528	59,409

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cost of inventories sold	**39,827**	27,903
Depreciation of property, plant and equipment	**3,698**	2,936
Depreciation of right-of-use assets	**165**	157
Research and development costs	**24,585**	14,575
Amortisation of intangible assets	**1,019**	844
Foreign exchange differences, net	**(14,013)**	864

6. 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.

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% (2021: 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% (2021: 15%) during the year. Hangzhou MicroTech E-Commerce Co., Ltd. (杭州微泰電子商務有限公司) and Hangzhou Jienuotong Technology Materials Co., Ltd. (杭州捷諾通科技材料有限公司) are qualified as a Small and Micro Enterprise and was entitled to a preferential tax rate of 2.5% (2021: 2.5%) during the period.

6. INCOME TAX (CONTINUED)

The income tax expense in the interim condensed consolidated statement of profit or loss and other comprehensive income are:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax – Mainland China charge for the period	–	–
Deferred tax	–	–
Total tax charge for the period	–	–

7. DIVIDENDS

No dividend has been paid or declared by the Company in respect for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

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

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 425,742,600 in issue during the period (six months ended 30 June 2021: 360,000,000 ordinary shares.

No adjustment has been made to the basic loss 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.

9. PROPERTY, PLANT AND EQUIPMENT

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Carrying amount at beginning of period/year	**73,184**	65,965
Additions	**10,461**	13,442
Depreciation provided during the period/year	**(3,698)**	(6,223)
Transfers	**(7,177)**	–
Carrying amount at end of period/year	**72,770**	73,184

10. TRADE RECEIVABLES

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:

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Within 1 year	**28,201**	26,752
1 to 2 years	**971**	874
2 to 3 years	**298**	142
Over 3 years	**38**	2
	29,508	27,770

11. 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:

	30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Within 1 year	21,646	14,017
1 to 2 years	897	3
2 to 3 years	3	91
Over 3 years	92	4
	22,638	14,115

12. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

13. RELATED PARTY TRANSACTIONS

Details of the Group's related party are as follows:

Name	Relationship
Hangzhou Henghua Property Management ("Henghua Property Management")	An entity controlled by a relative of a director

13. RELATED PARTY TRANSACTIONS (Continued)

(a) In addition to the transactions detailed elsewhere in the financial statements the Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
		2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
Purchases of services from:			
Henghua Property Management	*(i)*	**472**	–

Notes:

(i) The purchases of services from the related party were made according to the published prices and conditions offered by the related party to their major customers.

(b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2022 (Unaudited) *RMB'000*	2021 (Unaudited) *RMB'000*
Salaries, bonuses, allowances and benefit in kind	**3,480**	2,654
Pension scheme contributions	**21**	50
Equity-settled share award expense	**–**	12,433
Total compensation paid to key management personnel	**3,501**	15,137

14. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 30 June 2022 and 31 December 2021 are as follows:

Financial assets – at amortised cost

	As at 30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Trade receivables	**29,508**	27,770
Financial assets included in prepayments, other receivables and other assets	**2,164**	643
Cash and cash equivalents	**2,103,738**	2,150,978
	2,135,410	2,179,391

Financial liabilities – at amortised cost

	As at 30 June 2022 (Unaudited) *RMB'000*	31 December 2021 (Audited) *RMB'000*
Trade payables	**22,638**	14,115
Financial liabilities included in other payables and accruals	**19,289**	32,215
	41,927	46,330

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade and bills receivables, trade payables, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short-term maturities of these instruments. All the carrying amounts of the Group's financial liabilities approximate to their fair value.

The Group's finance department headed by the chief financial officer is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the chief financial officer. At the end of the reporting period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the directors of the Company periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

The Group did not have any financial assets or liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for financial assets (six months ended 30 June 2021: Nil).

16. EVENTS AFTER THE REPORTING PERIOD

On July 28, 2022, the Group received an official approval from the CSRC regarding the implementation of the full circulation of H Shares, pursuant to which up to 104,580,329 Domestic Unlisted Shares can be converted into H Shares for listing thereof on the Stock Exchange. For more related details, please refer to the Company's announcement dated August 3, 2022.

On August 29, 2022, the Stock Exchange granted an approval for listing of and permission to deal in 104,580,329 H Shares (Domestic Unlisted Shares converted under the Conversion and Listing, including Unlisted Foreign Shares and Domestic Shares). For more related details, please refer to the Company's announcement dated September 1, 2022.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

"artificial pancreas system"	an integrated diabetes management system that tracks blood glucose levels using a continuous glucose monitor and automatically delivers the insulin when needed using an insulin pump according to its control algorithm
"BGMS"	blood glucose monitoring system
"blood glucose"	blood glucose, also referred to as blood sugar, is the amount of glucose in your blood, an indicator of diabetes monitoring
"Board" or "Board of Directors"	the board of Directors of our Company
"calibration-free"	also known as "factory-calibrated", the ability to use the sensor without the need for BGMS calibration; while users may opt to calibrate at his/her own discretion, a calibration-free CGMS does not require the user to perform a finger stick blood glucose calibration before displaying the glucose values
"CE marking"	a certification marking that indicates conformity with health, safety, and environmental protection standards for products sold within the European Economic Area
"CEO" or "Chief Executive Officer"	chief executive officer of our Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules

"CGMS"	continuous glucose monitoring system
"Chairman"	chairman of the Board
"China" or "PRC"	People's Republic of China, but for the purpose of this report and for geographical reference only and except where the context requires otherwise, references in this report to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"CIC"	China Insights Industry Consultancy Limited, an independent professional market research and consulting company
"Company", "our Company", "the Company", "MicroTech" or "MicroTech Medical"	MicroTech Medical (Hangzhou) Co., Ltd.* (微泰醫療器械(杭州)股份有限公司), a limited liability company incorporated in the PRC on January 20, 2011 and converted into a joint stock limited liability company incorporated in the PRC on November 6, 2020, whose stock code is: HK2235
"Core Product"	Equil Patch Insulin Pump System, the designated "core product" as defined under Chapter 18A of the Listing Rules
"CSRC"	the China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	the directors of the Company
"Domestic Share(s)"	ordinary share(s) issued by our Company, with a nominal value of RMB1.0 each, which are subscribed for or credited as paid in Renminbi

"Domestic Unlisted Share(s)"	Domestic Share(s) and Unlisted Foreign Share(s)
"Dr. Zheng"	Dr. Zheng Pan (鄭攀), the chairman of the Board, an executive Director, the Chief Executive Officer of the Company and a member of the Single Largest Group of Shareholders
"FDA"	U.S. Food and Drug Administration
"GMP"	good manufacturing practices, the aspect of quality assurance that ensures that medicinal products are consistently produced and controlled to the quality standards appropriate to their intended use and as required by the product specification
"Group", "our Group", "us", "we" or "our"	the Company and its subsidiaries from time to time
"H Share(s)"	overseas listed foreign share(s) in the share capital of our Company with a nominal value of RMB1.0 each, which is/are subscribed for and traded in HK dollars and listed on the Hong Kong Stock Exchange
"HbA1C"	hemoglobin A1C, one of the indicators in the monitoring and management of diabetes
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC

"Hong Kong Stock Exchange" or "Stock Exchange or HKEx"	The Stock Exchange of Hong Kong Limited
"Independent Non-executive Directors"	the independent non-executive Directors of the Board
"IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on October 19, 2021
"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
"KOLs"	the key opinion leaders
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"MDR"	the European Union Medical Device Regulation
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules

"NMPA"	National Medical Products Administration (國家藥品監督管理局) and its predecessor, the China Food and Drug Administration (國家食品藥品監督管理總局)
"Prospectus"	the prospectus of the Company dated October 6, 2021, in relation to the Global Offering
"R&D"	research and development
"Reporting Period"	the six months ended June 30, 2022
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"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)
"Taikang Insurance Group"	Taikang Insurance Group Inc.
"Unlisted Foreign Shares"	ordinary shares issued by the Company with a nominal value of RMB1.00 each and are held by foreign investors and are not listed on any stock exchange
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction

For the purpose of this interim report and for illustration purpose only, conversion of HK$ to RMB is based on the exchange rate of HK$1 to RMB0.85519.