



麥迪衛康健康醫療管理科技股份有限公司
MEDIWELCOME HEALTHCARE
MANAGEMENT & TECHNOLOGY INC.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2159

2022
Interim Report



Contents

Corporate Information	2
Business Highlights	4
Business Review	5
Management Discussion and Analysis	7
Condensed Consolidated Statement of Comprehensive Income	16
Condensed Consolidated Statement of Financial Position	17
Condensed Consolidated Statement of Changes in Equity	19
Condensed Consolidated Statement of Cash Flows	20
Notes to the Condensed Consolidated Financial Statements	21
Other Information	39



Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Shi Wei (*Chairman*)
Mr. Yang Weimin
Mr. Wang Liang (*Chief Executive Officer*)
Mr. Wang Wei
Mr. Sui Huijun

Non-executive Directors:

Ms. Zhang Yitao
Mr. Liu Xia

Independent Non-executive Directors:

Mr. Song Ruilin
Mr. Fei John Xiang
Mr. David Zheng Wang
Mr. Yang Xiaoxi

AUDIT COMMITTEE

Mr. Yang Xiaoxi (*Chairman*)
Mr. Song Ruilin
Mr. Fei John Xiang

REMUNERATION COMMITTEE

Mr. Fei John Xiang (*Chairman*)
Mr. Song Ruilin
Mr. David Zheng Wang

NOMINATION COMMITTEE

Mr. Shi Wei (*Chairman*)
Mr. Fei John Xiang
Mr. David Zheng Wang

JOINT COMPANY SECRETARIES

Ms. Zhao Luyang
Ms. Tsoi Siu Wai

AUTHORIZED REPRESENTATIVES

Mr. Shi Wei
Ms. Tsoi Siu Wai

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HEADQUARTERS

10/F–12/F, Parkview Place
2 East 4th Ring Road, Chaoyang District
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

28th Floor
AIA Central
1 Connaught Road Central
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
801–806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

LEGAL ADVISER

As to Hong Kong Law:

Sidley Austin

Level 39

Two International Finance Centre

8 Finance Street

Central, Hong Kong

COMPLIANCE ADVISER

Rainbow Capital (HK) Limited

Room 5B, 12/F.,

Tung Ning Building

No. 2 Hillier Street

Sheung Wan

Hong Kong

PRINCIPAL BANK

Bank of Communications Yuhui East Road Branch

1/F, Yayun Garden

12 Xiaoying Road

Chaoyang District

Beijing

PRC

STOCK CODE

2159

WEBSITE

www.mediwelcome.com

Business Highlights

The figures below are the results for the six months ended 30 June 2022:



In the first half of 2022, the medical marketing service business of Mediwelcome Healthcare Management & Technology Inc. (the “**Company**”) and its subsidiaries (the “**Group**”) faced unprecedented difficulties across China due to the continuous lockdown in many provinces in response to the severe pandemic. Although a significant decline in revenue was recorded, the Group has already started to build up its medical digital marketing construction since 2021, laying the foundation for the rapid development of the Group’s business in the future.

While the Group has continued to support the stroke centers and chest pain centers nationwide, it has also focused on the huge demand for primary healthcare. In line with the standardisation of diagnosis and treatment as well as re-education of doctors, the Group has continued to deliver the value of quality medical marketing services. With the significant increase in demand for digital management of patients with chronic illnesses in the out-of-hospital context, the Group has been committed to developing an iterative digital healthcare management platform to provide customers with more efficient medical digital marketing and service solutions.

As of June 2022, the Group has developed and iterated multiple digital marketing platforms and products in the medical field, including the Giraffe Smart Medical Platform, Digital Patient Management Platform, E Conference, Giraffe Live, Deer Class, E Creation, E Insight and other products. Such platforms and products enabled the Group to provide customers with customised digital marketing solutions in the medical field. With the implementation of these solutions, as at 30 June 2022, the digital platforms have enrolled 384,965 registered doctor users, held 46,518 online education sessions with doctors and 25,687 online education sessions for patients, livestreamed 4,855 times, with 6,319 videos available and viewed by 1,086,328 visitors.

The Group has sustained its effort to develop and expand its online healthcare platforms to cater for the increasing needs of various stakeholders in the medical field, including hospitals, doctors, patients as well as pharmaceutical and medical equipment companies. The Group’s online healthcare platform, on top of providing doctors and patients with consistent and quality online medical service solutions, has also actively developed products and services of digital management for patients with chronic illnesses in the out-of-hospital context. As at 30 June 2022, the number of its registered doctor and patient users has reached 45,244 and 200,545, representing an increase of 69.9% and 321.2%, respectively, as compared to those as at 30 June 2021.

OUTLOOK

Plans for the Group’s development in the second half of 2022:

1. Continue to enhance the scale of digital marketing business

In the second half of the year, utilising its internal and external strengths and resources, the Group will focus more on customer development for digital marketing in the healthcare market built upon integrated medical marketing services, providing new customer groups with targeted, convergent and efficient solutions for digital medicine and marketing and delivering the latest medical technology and knowledge to more target customers. At the same time, the Group will sustain its effort to build a digital platform with precise access targeting doctors and patients, providing customers with integrated digital and intelligent marketing solutions using a digital integrated marketing system synergised by both offline and online channels, so as to create a closed loop for the whole process of digital operation.

Business Review

2. With the rise of the innovative biopharmaceutical industry in China, the Group will continue to optimise its products and services and leverage the favorable health policy environment and its own resources to maintain revenue growth of its professional medicine and marketing services in the traditional cardiovascular and cerebrovascular discipline, with a focus on expanding its business in the fields of oncology and chronic renal diseases to increase the coverage of customers from domestic enterprises.
3. Explore and optimise the online healthcare platform and business model

The Group will continue to upgrade its online healthcare platform and work with well-known internet companies to enhance its internal system in terms of blockchain technology to protect information security and user privacy. The Group will continue to explore the out-of-hospital special disease management model, under which health records, online consultation, e-prescription/online drug purchase, care plan/follow-up plan, health education video/graphics and other services are provided to doctors and patients. The Group will also explore the application of artificial intelligence technology to build a closed-loop business model from inside to outside hospitals.

Facing the impact of the pandemic in 2022, the Group will continue to maintain its business scale in the traditional dominant therapeutic fields, and actively drive innovation in order to seize the opportunities arising from the rapid growth in demand for medical digital marketing and online healthcare for its steady development. While actively generating profits under its efficient operation, the Group persistently expands and develops its business model and scale to create greater value for more customers, doctors and patients.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the six months ended 30 June 2022 (the “**Reporting Period**”), the Group primarily generated revenue from its integrated healthcare marketing solutions, consisting of (i) medical conference services; (ii) patient education and screening services; and (iii) marketing strategy and consulting services. In addition, the Group developed and generated revenue from contract research organization (“**CRO**”) services and internet hospital services.

The Group’s revenue decreased by approximately 49.2% from approximately RMB339.8 million for the six months ended 30 June 2021 to approximately RMB172.5 million for the six months ended 30 June 2022. The following table sets forth a breakdown of the Group’s revenue by service type for the periods indicated:

	For the six months ended 30 June			
	2022 (RMB’000)		2021 (RMB’000)	
Medical conference services	111,288	64.5%	208,510	61.4%
Marketing strategy and consulting services	41,287	23.9%	51,046	15.0%
Patient education and screening services	14,323	8.3%	74,321	21.9%
CRO services	3,679	2.1%	4,092	1.2%
Internet hospital services	1,884	1.2%	1,827	0.5%
Total	172,461	100.0%	339,796	100.0%

Medical Conference Services

Medical conference services primarily represent the medical conventions and seminars that the Group organises which are generally hosted by medical non-government organisations (“**NGOs**”) and sponsored by enterprises in the healthcare industry, which primarily include pharmaceutical companies. The Group has built various technology platforms to enhance its integrated healthcare marketing solutions. To strengthen the Group’s conference management capabilities, the Group has launched the Conference+ App (醫會+) for users, i.e. medical NGOs and pharmaceutical companies, to submit onsite conference requests and monitor conference implementation.

Revenue from medical conference services decreased by approximately 46.6% from approximately RMB208.5 million for the six months ended 30 June 2021 to approximately RMB111.3 million for the six months ended 30 June 2022, primarily due to the short term lock-down in various provinces of the People’s Republic of China (“**PRC**”) in the first half of 2022 caused by the COVID-19 pandemic.

Management Discussion and Analysis

Marketing Strategy and Consulting Services

The Group provides marketing strategy and consulting services to assist pharmaceutical companies in formulating and implementing effective business strategies in enhancing their brands and product awareness among physicians. Revenue from marketing strategy and consulting services decreased by approximately 19.0% from approximately RMB51.0 million for the six months ended 30 June 2021 to approximately RMB41.3 million for the six months ended 30 June 2022 due to the economic slowdown caused by the prolonged COVID-19 pandemic.

Patient Education and Screening Services

Patient education and screening services of the Group allow patients to administer better self-care and disease control, which will lower the burden on the healthcare system in the long run. Revenue from patient education and screening services decreased by approximately 80.8% from approximately RMB74.3 million for the six months ended 30 June 2021 to approximately RMB14.3 million for the six months ended 30 June 2022 due to the short-term lock-down in various provinces of the PRC in the first half of 2022.

CRO Services and Internet Hospital Services

The Group's CRO services primarily consist of patients recruitment and clinical data collection services, and internet hospital services which mainly provides online follow-up consultations to the physicians' existing patients and e-prescription service.

Revenue from CRO services decreased by approximately 9.8% from approximately RMB4.1 million for the six months ended 30 June 2021 to approximately RMB3.7 million for the six months ended 30 June 2022 due to the economic slowdown caused by the prolonged COVID-19 pandemic.

The Group has developed the mobile platforms, Mediwelcome Doctor+ (麥迪衛康醫加) and Doctor+ for Doctor (醫加醫生端), to provide internet hospital services. Currently, physicians' existing patients can schedule online follow-up consultations, obtain e-prescriptions and purchase medicine through the platform. Revenue from internet hospital services increased by approximately 5.6% from approximately RMB1.8 million for the six months ended 30 June 2021 to approximately RMB1.9 million for the six months ended 30 June 2022, primarily attributable to the increase in the number of active patient users purchasing prescribed medicine through the Group's internet hospital platform. The number of active patient users increased from 6,918 as at 30 June 2021 to 8,523 as at 30 June 2022.

Cost of sales

The Group's cost of sales which mainly represents speaker fees paid to physicians, venue costs and staff costs decreased by approximately 49.0% from approximately RMB304.0 million for the six months ended 30 June 2021 to approximately RMB155.1 million for the six months ended 30 June 2022, which was generally in line with the decrease in the Group's revenue.

Management Discussion and Analysis

Gross profit and gross profit margin

As a result of the foregoing, the Group's overall gross profit decreased by approximately RMB18.5 million from approximately RMB35.8 million for the six months ended 30 June 2021 to approximately RMB17.3 million for the six months ended 30 June 2022, which was generally in line with the decrease in the Group's revenue. The Group's overall gross profit margin slightly decreased from 10.5% for the six months ended 30 June 2021 to 10.0% for the six months ended 30 June 2022, primarily due to the increase in the sales mix of online medical conference services which have lower profit margin as compared to other service types.

Other income, gains and losses

Other income, gains and losses mainly consist of foreign exchange gains, net, gains on fair value changes of financial assets at fair value through profit or loss ("FVTPL"), government grants, bank interest income and value-added tax refund. The Group's other income, gains and losses decreased by approximately 62.5% from approximately RMB7.2 million for the six months ended 30 June 2021 to approximately RMB2.7 million for the six months ended 30 June 2022, primarily attributable to the one-off government subsidy of approximately RMB5.0 million granted in 2021 in connection with the successful listing of the shares of the Company (the "Share(s)") on the Main Board (the "Listing") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 January 2021 (the "Listing Date").

Selling expenses

Selling expenses mainly consist of transportation expenses, salaries, share-based compensation expenses, performance bonuses and employee benefits expenses for the sales and marketing and business development expenses. The Group's selling expenses decreased by approximately 2.9% from approximately RMB10.2 million for the six months ended 30 June 2021 to approximately RMB9.9 million for the six months ended 30 June 2022, primarily due to the implementation of cost control to reduce general expenses in response to the significant decrease in sales.

Administrative expenses

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, professional consulting fees, share-based compensation expenses, depreciation and other miscellaneous administrative expenses. The Group's administrative expenses increased by approximately 2.6% from approximately RMB30.8 million for the six months ended 30 June 2021 to approximately RMB31.6 million for the six months ended 30 June 2022, primarily due to the increase in office related expenses as a result of the overall expansion of the Group, which was partially net off by the decrease in recognition of share-based compensations.

Research and development expenses

The Group's research and development expenses increased by approximately 303.1% from approximately RMB6.4 million for the six months ended 30 June 2021 to approximately RMB25.8 million for the six months ended 30 June 2022, mainly due to the increase in the Group's research and development expenses to carry out the research and development projects, including digital marketing solutions, digital medical solutions, and development of an artificial intelligent online platform.

Management Discussion and Analysis

Listing expenses

The Group did not record any listing expenses for the six months ended 30 June 2022 (30 June 2021: approximately RMB11.3 million).

Finance costs

Finance costs mainly represent the interest expense on lease liabilities. The Group's finance costs had no material change, which amounted to approximately RMB0.6 million for the six months ended 30 June 2021 and 2022.

Income tax (credit)/expense

The Group recorded income tax credit of approximately RMB0.4 million for the six months ended 30 June 2022 as compared with income tax expense of approximately RMB1.8 million for the six months ended 30 June 2021, primarily due to the decrease in operating profit from the entities of the Group in the PRC.

Loss for the period

The Group's loss for the period increased by approximately 195.7% from approximately RMB16.3 million for the six months ended 30 June 2021 to approximately RMB48.2 million for the six months ended 30 June 2022 due to the net effects of (i) the significant decrease in the Group's revenue and gross profit by approximately RMB167.3 million and RMB18.5 million, respectively, primarily attributable to the short-term lock-down in various provinces of the PRC in the first half of 2022; (ii) the decrease in government subsidy by approximately RMB5.0 million; and (iii) the increase in research and development expenses by approximately RMB19.4 million to carry out the research and development projects, including digital marketing solutions, digital medical solutions, and development of an artificial intelligent online platform.

Other comprehensive (expense)/income

The Group recorded other comprehensive expense of approximately RMB3.6 million for the six months ended 30 June 2022 as compared with other comprehensive income of approximately RMB25.4 million for the six months ended 30 June 2021, primarily due to the recognition of unrealised fair value loss on the Group's investment in unlisted equity securities during the Reporting Period.

Trade receivables

Trade receivables represent outstanding amounts due from customers for services that the Group has provided in the ordinary course of business. The Group's trade receivables decreased from approximately RMB84.2 million as at 31 December 2021 to approximately RMB66.3 million as at 30 June 2022 due to the significant decrease in the Group's sales as a result of the short-term lock-down in various provinces of the PRC in the first half of 2022.

Management Discussion and Analysis

Trade payables

Trade payables mainly represent the balances due to suppliers for the procurement of goods and services used for the Group's service offerings, such as travel and lodging services, presentation materials, venue set-up, rental services and video production services. The Group's trade payables increased from approximately RMB27.4 million as at 31 December 2021 to approximately RMB33.7 million as at 30 June 2022 as the lock-down in various provinces of the PRC in the first half of 2022 delayed the payment process of the Group.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL mainly represent financial products that the Group purchased. These financial products were primarily low risk structured deposit from reputable PRC commercial banks, the principal of which was invested in low risk debt instruments, while the interest was invested in derivatives market. The financial products the Group held as at 30 June 2022 had an expected rate of return ranging from 2.21% to 3.21% per annum depending on the returns of the derivatives.

As at 30 June 2022, the fair value of the Group's financial assets at FVTPL was approximately RMB60.5 million, details of which are summarised below:

Issuer	Name of wealth management products	Fair value	Size as
		as at 30 June	compared to
		2022	the Company's
		RMB'000	total assets
			as at 30 June
			2022
China Guangfa Bank Co., Ltd.	Xingfulicai ("幸福理財"幸福添利系列人民幣理財計劃)	14,000	4.1%
China Zheshang Bank Co., Ltd.	Shengxinying C-1 (升鑫贏C-1號)	11,000	3.2%
China CITIC Bank	Riyingsiang Tiantianli 1-C (日盈象天天利1號C款)	8,000	2.3%
Bank of Beijing Co., Ltd.	Xinxi Series Jinghua Wealth Management Scheme (心喜系列人民幣京華尊享理財管理計劃)	8,000	2.3%
China Guangfa Bank Co., Ltd.	Guangyinanfu Xingfuliujin Wealth Management Scheme ("廣銀安富"幸福鑒金—日添薪人民幣理財計劃)	5,000	1.5%
Everbright Wealth Management Co., Ltd.	CEB Cash A (光銀現金A)	5,000	1.5%
Bank of Beijing Co., Ltd.	Jihua Yuanjian Institutional Yitaojin Wealth Management Scheme (京華遠見機構易淘金理財管理計劃)	4,000	1.2%
China Minsheng Bank Co., Ltd.	Minsheng Guizhu (貴竹固收增利理財)	4,000	1.2%
China Merchants Bank Co., Ltd.	Ririxin 80008 (日日鑫80008號)	1,500	0.4%

The Group invested in these financial products with an aim to enhance its income by generating higher yield than cash deposits, while maintaining a stable liquidity at low level risk. The Group generally limits its investments in financial products to low-risk, short-term products from reputable PRC commercial banks.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Treasury policy

The Group's funding and treasury policies are designed to strengthen the internal control and management of the Group's overall financial position and to mitigate the Group's financial risks, and to better regulate the Company's financial behavior and improve the efficiency of the use of funds. The policies manage the use of the Group's funds in foreign investments and fund raising activities.

Net current assets

As at 30 June 2022, the Group had net current assets of approximately RMB172.3 million, as compared with net current assets of approximately RMB218.0 million as at 31 December 2021.

Bank balances and cash

The Group's bank balances and cash mainly consist of (i) bank deposits denominated in Renminbi and carried the People's Bank of China (中國人民銀行) benchmark interest rate throughout the Reporting Period; and (ii) cash on hand.

As at 30 June 2022, the Group had bank balances and cash of approximately RMB103.5 million, representing a decrease of 37.4% from approximately RMB165.3 million as at 31 December 2021. The Group's principal sources of liquidity and capital resources are cash from operating activities. The Group monitors cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity that can meet its working capital needs while supporting a healthy level of business scale and expansion.

Indebtedness

The Group's indebtedness represents lease liabilities. As at 30 June 2022, the Group, as a lessee, had outstanding current and non-current lease liabilities of approximately RMB26.7 million as compared with approximately RMB25.2 million as at 31 December 2021. The lease liabilities represent payment for the right to use underlying assets, which was unsecured and unguaranteed.

As at 30 June 2022, the Group had outstanding bank borrowings of approximately RMB0.2 million (31 December 2021: nil), which was unsecured, unguaranteed and repayable within 12 months. All borrowings charged with reference to the floating interest rate of Loan Prime Rate of PRC. All borrowings are denominated in Renminbi.

As at 30 June 2022, the Group had available unutilised banking facilities of approximately RMB9.8 million (31 December 2021: nil).

The Group's gearing ratio (calculated as total bank and other borrowings divided by total equity) as at 30 June 2022 was 0.1% (31 December 2021: nil).

Management Discussion and Analysis

Capital expenditures

As at 30 June 2022, capital expenditures of the Group decreased to approximately RMB484,000 for the six months ended 30 June 2022 as compared with approximately RMB23.2 million for the six months ended 30 June 2021. These capital expenditures were related to (i) purchases of property, plant and equipment; and (ii) expenses for research and development activities capitalised as intangible assets. The Group is expected to incur expenses to develop computer and mobile software and platforms for its internet hospital services which may be capitalised. These expenses will be financed by the net proceeds from the Global Offering (as defined in the prospectus of Company dated 31 December 2020, the “**Prospectus**”) in the manner consistent with that as mentioned in the section headed “Future Plans and Use of Proceeds” in the Prospectus and cash flow from operating activities.

Capital structure

There has been no change in the capital structure of the Company since the Listing. As at 30 June 2022, the total number of issued Shares was 200,000,000.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the functional currencies of the respective entities of the Group. The Group manages its foreign exchange risk by performing regular reviews of its net foreign exchange exposures. The Group did not hedge against any fluctuation in foreign currencies during the Reporting Period.

The Group operates mainly in the PRC with most of the transactions settled in Renminbi. Management of the Group considers that the Group’s business is not exposed to any significant foreign exchange risk as there are no significant financial assets or liabilities that are denominated in the currencies other than the respective functional currencies of the Group’s entities.

Contingent liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: nil).

Pledge of assets

As at 30 June 2022, the Group did not pledge any of its assets (31 December 2021: nil).

Management Discussion and Analysis

Human resources

As at 30 June 2022, the Group had 427 employees (30 June 2021: 411 employees) as a result of the increase in headcount due to the development of overall expansion of the Group's services. For the six months ended 30 June 2022, the staff cost recognised as expenses of the Group amounted to approximately RMB44.7 million, representing an increase of approximately 12.6% from approximately RMB39.7 million for the six months ended 30 June 2021. The increase was mainly attributable to the increase in proportion of employees with higher income, increase in headcounts, and increase in salaries to retain the talents.

The Group is committed to establishing a fair remuneration system and will conduct performance evaluation for its employees on an annual basis. Compensation for employees typically consists of a base salary and a performance-based bonus. The Group conducts training for new staff before they start work and provides periodic training for its employees based on their respective responsibilities.

Furthermore, the Company has conditionally adopted the restricted share units scheme on 18 September 2019 and a share option scheme on 21 December 2020, details of which are set out in "Appendix IV — Statutory and General Information — D. Other information — 2. RSU Scheme" and "Appendix IV — Statutory and General Information — D. Other Information — 3. Share Option Scheme" in the Prospectus.

SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period.

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Save as disclosed in the Prospectus, the Group had no other future plans for material investments or capital assets as at 30 June 2022.

EVENTS AFTER REPORTING PERIOD

There were no significant events after 30 June 2022 and up to date of this report.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

The Group had not provided any financial assistance or guarantee to affiliated companies during the Reporting Period.

Management Discussion and Analysis

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

The Group did not use any financial instruments for hedging purposes during the Reporting Period.

USE OF PROCEEDS

In connection with the Global Offering (as defined in the Prospectus), the Company allotted and issued 50,000,000 ordinary Shares with a par value of HK\$0.00001 each at a price of HK\$3.00 per ordinary Share on 19 January 2021. The net proceeds from the Global Offering, after deduction of the underwriting fees, commissions and expenses, were approximately HK\$78.8 million (the “**Net Proceeds**”). The Group intended to use the Net Proceeds as follows: (i) approximately 58% will be used to broaden the Group’s customer base, disease area coverage and patient base; (ii) approximately 25% will be used to complement the service capabilities through the Group’s development of internet hospital services; (iii) approximately 12% will be used for the Group’s working capital and general corporate purposes; and (iv) approximately 5% will be used to further expand the Group’s CRO services. As of 30 June 2022, an analysis of the utilisation of Net Proceeds is as follows:

Use of Net Proceeds as stated in the Prospectus	Net Proceeds (HK\$ million)	Utilized Net Proceeds as of 30 June 2022	Remaining unutilized balance as at 30 June 2022 (HK\$ million)	Expected timeline for full utilization
To broaden the Group’s customer base, disease area coverage and patient base	45.7	20.2	25.5	By 31 December 2023
To complement the Group’s service capabilities through the development of its internet hospital services	19.7	6.4	13.3	By 31 December 2023
Working capital and general corporate purposes	9.5	5.1	4.4	By 31 December 2023
To develop the Group’s CRO services, including recruiting a team of experienced personnel	3.9	1.1	2.8	By 31 December 2023
	78.8	32.8	46.0	

The unused Net Proceeds have been placed as interest-bearing deposits with licensed banks in Hong Kong and the PRC in accordance with the intention of the board (the “**Board**”) of directors (the “**Director(s)**”) of the Company as disclosed in the Prospectus.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	172,461	339,796
Cost of sales		(155,138)	(303,991)
Gross profit		17,323	35,805
Other income, gains and losses	4	2,733	7,207
Selling expenses		(9,937)	(10,187)
Administrative expenses		(31,594)	(30,835)
Research and development expenses		(25,813)	(6,382)
Listing expenses		—	(11,305)
Finance costs	5	(573)	(606)
(Impairment loss)/reversal of impairment losses on trade receivables		(726)	1,888
Loss before taxation	6	(48,587)	(14,415)
Income tax credit/(expense)	7	350	(1,847)
Loss for the period		(48,237)	(16,262)
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes in equity instruments at fair value through other comprehensive income ("FVTOCI"), net of income tax		(3,631)	25,399
Total comprehensive (expense)/income for the period		(51,868)	9,137
Loss for the period attributable to:			
— Owners of the Company		(46,233)	(15,794)
— Non-controlling interests		(2,004)	(468)
		(48,237)	(16,262)
Total comprehensive (expense)/income for the period attributable to:			
— Owners of the Company		(49,864)	9,605
— Non-controlling interests		(2,004)	(468)
		(51,868)	9,137
Losses per share			
— Basic losses per share (RMB cents)	9	(24.88)	(9.01)
— Diluted losses per share (RMB cents)	9	(24.46)	(9.01)

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	10	5,635	6,808
Right-of-use assets	10	16,153	17,623
Equity instruments at fair value through other comprehensive income	11a	18,293	22,565
Goodwill	12	3,115	3,115
Intangible assets	10	32,913	37,944
Deferred tax assets		1,629	619
Prepayments, deposits and other receivables	13	2,519	2,708
		80,257	91,382
Current assets			
Trade receivables	14	66,299	84,246
Contract costs		24,636	12,536
Tax recoverable		1,944	–
Prepayments, deposits and other receivables	13	5,420	3,707
Financial assets at fair value through profit or loss	11b	60,500	9,500
Bank balances and cash		103,536	165,329
		262,335	275,318
Total assets		342,592	366,700

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	Notes	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	15	33,683	27,413
Interest-bearing bank borrowing		156	–
Contract liabilities		21,842	5,800
Other payables and accruals	16	15,445	14,436
Lease liabilities		18,924	9,525
Tax payable		–	96
		90,050	57,270
Net current assets		172,285	218,048
Total assets less current liabilities		252,542	309,430
Non-current liabilities			
Deferred tax liabilities		230	287
Lease liabilities		7,734	15,656
		7,964	15,943
Net assets		244,578	293,487
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	17	1	1
Reserves		236,203	283,108
		236,204	283,109
Non-controlling interests		8,374	10,378
Total equity		244,578	293,487

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company											Non-controlling interests	Total	
	Share capital	Share premium	Shares held for RSU Scheme	Shareholder contribution	Capital reserve	Statutory reserve	Fair value reserve	Other reserve	Share-based compensations	Retained earnings	Sub-total			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022 (Audited)	1	98,602	–*	–*	37,878	16,121	1,779	54,216	3,954	70,558	283,109	10,378	293,487	
Loss for the period	–	–	–	–	–	–	–	–	–	(46,233)	(46,233)	(2,004)	(48,237)	
Other comprehensive expense	–	–	–	–	–	–	(3,631)	–	–	–	(3,631)	–	(3,631)	
Total comprehensive expense for the period	–	–	–	–	–	–	(3,631)	–	–	(46,233)	(49,864)	(2,004)	(51,868)	
Share-based compensation — Value of employee services (Notes 6 and 18)	–	–	–	–	–	–	–	–	2,959	–	2,959	–	2,959	
As at 30 June 2022 (Unaudited)	1	98,602	–*	–*	37,878	16,121	(1,852)	54,216	6,913	24,325	236,204	8,374	244,578	

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Shares held for RSU Scheme	Shareholder contribution	Capital reserve	Statutory reserve	Fair value reserve	Other reserve	Share-based compensations	Retained earnings	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021 (Audited)	1	–	–	–	37,878	14,604	4,651	54,216	–	49,825	161,175	9,821	170,996
Loss for the period	–	–	–	–	–	–	–	–	–	(15,794)	(15,794)	(468)	(16,262)
Other comprehensive income Fair value changes in equity instruments at FVTOCI	–	–	–	–	–	–	25,399	–	–	–	25,399	–	25,399
Total comprehensive income for the period	–	–	–	–	–	–	25,399	–	–	(15,794)	9,605	(468)	9,137
Appropriation to statutory reserve	–	–	–	–	–	1,578	–	–	–	(1,578)	–	–	–
Derecognition of a subsidiary	–	–	–	–	–	(572)	–	–	–	572	–	–	–
Issue of new shares through Global Offering (Note 17)	–*	97,802	–	–	–	–	–	–	–	–	97,802	–	97,802
Shares held for restricted share units scheme ("RSU Scheme") (Note 18)	–	–	–*	–*	–	–	–	–	–	–	–	–	–
Share-based compensation — Value of employee services (Notes 6 and 18)	–	–	–	–	–	–	–	–	9,707	–	9,707	–	9,707
— Vested (Note 18)	–	–	–*	–	–	–	–	–	(9,415)	9,457	42	–	42
As at 30 June 2021 (Unaudited)	1	97,802	–*	–*	37,878	15,610	30,050	54,216	292	42,482	278,331	9,353	287,684

* Less than RMB1,000

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Net cash (used in)/generated from operating activities		(8,658)	2,023
Investing activities			
Purchases of property, plant and equipment	10	(484)	(789)
Acquisition of intangible assets	10	–	(22,387)
Purchases of financial assets at fair value through profit or loss	11b	(95,000)	(77,000)
Proceeds from disposal of financial assets at fair value through profit or loss	11b	44,353	52,190
Interest received	4	244	243
Net cash used in investing activities		(50,887)	(47,743)
Financing activities			
Issue of new shares through Global Offering		–	97,802
Payment for principal portion of lease liabilities		(1,831)	(1,148)
Payment for interest portion of lease liabilities		(573)	(606)
Increase of interest-bearing bank borrowing		156	–
Net cash (used in)/generated from financing activities		(2,248)	96,048
Net (decrease)/increase in cash and cash equivalents		(61,793)	50,328
Cash and cash equivalents at beginning of the period		165,329	88,990
Cash and cash equivalents at end of the period, representing bank balances and cash		103,536	139,318

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1. GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

Mediwelcome Healthcare Management & Technology Inc. (the “**Company**”) was incorporated under the laws of the Cayman Islands with limited liability on 21 February 2019. The registered office is located at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands and its principal place of business in Hong Kong is located at 28th Floor, AIA Central, 1 Connaught Road Central, Central, Hong Kong. The shares of the Company (“**Shares**”) have been listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 19 January 2021 (“**Listing Date**”).

The Company acts as an investment holding company. The Company and its subsidiaries are collectively referred to as the “**Group**”.

The Company is ultimately controlled by Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, who are also parties acting in concert, and as a result of contractual arrangements, collectively have the power to direct the relevant activities of the Group.

Items included in the condensed consolidated financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “**functional currency**”). The functional currency of the Company is Renminbi (“**RMB**”) since the Company’s primary subsidiaries were incorporated and are operating in the People’s Republic of China (the “**PRC**”) and these subsidiaries considered RMB as their functional currency. The condensed consolidated financial statements is presented in RMB, which is the Company’s functional and the Group’s presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

1.2 Basis of preparation

The condensed consolidated financial statements of the Group have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income which are carried at fair value at subsequent reporting dates.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

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
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

The application of the amendments to in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (“**CODM**”) reviews the “operating loss” as presented below and the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at the end of the reporting period, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
The Group's loss before taxation	(48,587)	(14,415)
Add: Listing expenses	–	11,305
Less: Other income, gains and losses	(2,733)	(7,207)
Operating loss presented to the CODM	(51,320)	(10,317)

Revenue by service type as follows:

	Six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Medical conference services	111,288	208,510
Patient education and screening services	14,323	74,321
Marketing strategy and consulting services	41,287	51,046
Contract research organisation services	3,679	4,092
Internet hospital services	1,884	1,827
Total revenue	172,461	339,796

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. REVENUE AND SEGMENT INFORMATION (Continued)

The timing of revenue recognition for the services are as follows:

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Timing of revenue recognition		
At a point in time	172,240	339,288
Over time	221	508
Total revenue	172,461	339,796

The major customers which contributed more than 10% of the total revenue for the corresponding periods are listed as below:

	Six months ended 30 June	
	2022 (Unaudited)	2021 (Unaudited)
Customer A (Note (a))	20%	N/A
Customer B (Note (a))	12%	N/A
Customer C (Note (b))	N/A	24%

Notes:

- (a) The percentage of contribution is not applicable for Customer A and B as it contributed less than 10% of the total revenue for the six months ended 30 June 2021.
- (b) The percentage of contribution is not applicable for Customer C as it contributed less than 10% of the total revenue for the six months ended 30 June 2022.

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied or partially unsatisfied at the date of the reporting period.

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Within one year	387,548	374,813

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Foreign exchange gains, net	1,335	112
Bank interest income	244	243
Gain on fair value changes of financial assets at fair value through profit or loss ("FVTPL") (Note 19)	353	290
Government subsidy (Note)	–	5,080
Value added tax refund	729	1,441
Others	72	41
	2,733	7,207

Note: Amount represented subsidy on the Group's business development without any specific conditions attached to the subsidy. No government subsidy was received during the period.

5. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Interest expense on lease liabilities	573	606

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Loss before taxation has been carried at after charging:		
Auditor's remuneration		
— audit services	—	—
— non-audit services	470	1,021
Depreciation of property, plant and equipment	1,657	1,678
Depreciation of right-of-use assets	4,489	3,211
Amortisation of intangible assets (included in cost of sales)	5,031	4,283
Short-term lease payments	—	865
Staff costs:		
— Fee and salaries (including directors' remuneration)	32,964	23,997
— Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	3,001	2,190
— Social security costs, housing benefits and other employee benefits (including directors' social security costs, housing benefits and other benefits)	5,768	3,760
— Share-based compensation (Note 18)	2,959	9,707
	44,692	39,654

7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Current tax	—	1,311
Under provision of taxation for previous years	76	—
	76	1,311
Deferred tax (credit)/expense	(426)	536
	(350)	1,847

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

7. INCOME TAX (CREDIT)/EXPENSE (Continued)

(a) PRC enterprise income tax ("EIT")

EIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for both periods calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The EIT rate is 25% during both periods.

One of the entities comprising the Group was approved to be the High and New Technology Enterprise ("HNTE") on 31 October 2018 and renewed the certificate on 17 December 2021, and the entity enjoyed the preferential tax rate of 15% for HNTE from 2018 to 2024. Another entity comprising the Group was approved to be the HNTE on 2 December 2019 and is eligible to enjoy the preferential tax rate for HNTE of 15% from 2019 to 2022. The HNTE certificate needs to be renewed every three years so as to enable to enjoy the reduced tax rate of 15%.

The Group enjoyed additional 75% tax reduction based on the eligible research and development expenses for both periods.

For the six months ended 30 June 2022, six (six months ended 30 June 2021: six) of the entities comprising the Group is qualified as small and micro-sized enterprises (SMEs) for tax reduction. For the first RMB1 million of annual taxable income is eligible for 87.5% (six months ended 30 June 2021: 75%) reduction and the income between RMB1 million and RMB3 million is eligible for 50% (six months ended 30 June 2021: 50%) reduction at the applicable EIT tax rate of 20% (six months ended 30 June 2021: 20%).

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong for both periods.

(b) PRC withholding tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as at 30 June 2022 and 2021.

8. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2022. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

9. LOSSES PER SHARE

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares during the period.

	Six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Losses attributable to owners of the Company	(46,233)	(15,794)
Weighted average number of ordinary shares in issue in the basic losses per share calculation (<i>in thousands</i>)	185,802	175,198
Effect of conversion of unvested restricted share units ("RSUs") (<i>in thousands</i>)	3,181	–
Weighted average number of ordinary shares in issue in the diluted losses per share calculation (<i>in thousands</i>)	188,983	175,198
Losses per share attributable to the owners of the Company		
— Basic losses per share (<i>RMB cents</i>)	(24.88)	(9.01)
— Diluted losses per share (<i>RMB cents</i>)	(24.46)	(9.01)

10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the current interim period, the Group incurred RMB484,000 (six months ended 30 June 2021: RMB789,000) on the acquisition of property, plant and equipment. During the current interim period, no disposal of property, plant and equipment from the Group (six months ended 30 June 2021: Nil).

During the current interim period, 6 new lease agreements have been entered by the Group. The Group is required to make fixed monthly payments. The Group incurred RMB7,070,000 (six months ended 30 June 2021: Nil) on addition of right-of-use assets has been recognised by the Group.

During the current interim period, no acquisition of intangible assets (six months ended 30 June 2021: acquisition of intangible assets of RMB22,387,000) by the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

11A. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Unlisted equity securities		
— Beijing Cezhiyi Consulting Co., Ltd. (“ Beijing Cezhiyi ”)	2,389	2,284
— Shanghai Bohuikang Biological Technology Co., Ltd. (“ Shanghai Bohuikang ”)	12,893	17,045
— Beijing Lingchuang Yigu Technology Development Co., Ltd. (“ Lingchuang Yigu ”)	3,011	3,236
	18,293	22,565

Note:

The above mentioned investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at fair value through other comprehensive income as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

11B. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Short term financial assets mandatorily measure at FVTPL		
— Financial products (Note)	60,500	9,500

Note:

During the current interim period, the Group acquired some financial products at the aggregate consideration of RMB95,000,000 (six months ended 30 June 2021: RMB77,000,000). Some of the financial products have been disposed of at total proceeds of RMB44,353,000 (six months ended 30 June 2021: RMB52,190,000) for the six months ended 30 June 2022 and no gain or loss arising from the disposals. The financial products are structured fixed deposits with financial institutions with three-month maturities. The principal of the structured fixed deposits will be invested in debt instruments while the interest will be invested in derivative markets. The Group received variable return depending on the return of the derivative.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

12. GOODWILL

1 January 2021 (audited), 31 December 2021 (audited) and
30 June 2022 (unaudited)

RMB'000

3,115

Impairment tests for goodwill

As at 30 June 2022 and 31 December 2021, the goodwill includes (1) goodwill of RMB591,000 recognised from the acquisition of Beijing Haice Culture Co., Ltd. ("**Beijing Haice**") on 31 May 2017; (2) goodwill of RMB371,000 recognised from the acquisition of Beijing Baichuan Binhai Medical Information Technology Co., Ltd. ("**Beijing Baichuan**") on 30 September 2018; and (3) goodwill of RMB2,153,000 recognised from the acquisition of Beijing Weiliandong Internet Technology Co., Ltd. ("**Weiliandong**") on 25 March 2019.

Beijing Haice

During current interim period, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 16.56% (31 December 2021: 16.56%). The revenue growth rate applied for the six months ended 30 June 2022 are 6%, 4%, 3%, 2% and 2% (31 December 2021: 6%, 4%, 3%, 2% and 2%) for each of the 5 years from 2022 to 2026 (31 December 2021: 2022 to 2026), respectively. The cash flows beyond the five-year period are extrapolated using a 2% (31 December 2021: 2%) growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

Beijing Baichuan

During current interim period, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 16.56% (31 December 2021: 16.56%). The revenue growth rate applied for the six months ended 30 June 2022 are 15%, 12%, 10%, 5% and 2% (31 December 2021: 15%, 12%, 10%, 5% and 2%) for each of the 5 years from 2022 to 2026 (31 December 2021: 2022 to 2026), respectively. The cash flows beyond the five-year period are extrapolated using a 2% (31 December 2021: 2%) growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

12. GOODWILL (Continued)

Weiliandong

During current interim period, the management performed impairment review for the goodwill. The recoverable amount of the cash-generating unit has been determined by a value-in-use calculation, based on the cash flow forecast derived from the most recent financial budgets and estimated future cash flows covering a 5-year period as approved by management and using a pre-tax discount rate of 15% (31 December 2021: 15%). The revenue growth rate applied for the six months ended 30 June 2022 are 2%, 2%, 2%, 2% and 2% (31 December 2021: 2%, 2%, 2%, 2% and 2%) for each of the 5 years from 2022 to 2026 (31 December 2021: 2022 to 2026), respectively. The cash flows beyond the five-year period are extrapolated using a 2% (31 December 2021: 2%) growth rate. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in gross margin. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the cash-generating unit. Changes in gross margin are based on past practices and expectations of future changes in the market.

In the opinion of the directors of the Company, any reasonably possible change in any of these assumptions would not cause its carrying amount to exceed its recoverable amount. The management determines that the cash-generating unit containing the goodwill has not suffered an impairment loss.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Included in non-current assets		
Deposits and other receivables (Note (a))	2,519	2,708
Included in current assets		
Prepayments (Note (b))	3,966	2,214
Other prepaid taxation (Note (c))	175	334
Other receivables (Note (d))	1,279	1,159
	5,420	3,707

Notes:

- (a) As at 30 June 2022 and 31 December 2021, deposits and other receivables mainly represent non-current portion of rental deposits.
- (b) As at 30 June 2022, the balances mainly represent prepayments for petrol, short-term lease and management fee, legal retainer fee and research and development expenses which will be utilised within 12 months from the end of the reporting period.
- As at 31 December 2021, the balances mainly represent prepayments for petrol, short-term lease and management fee, legal retainer fee which will be utilised within 12 months from the end of the reporting period.
- (c) Other prepaid taxation mainly represents value-added tax and surcharges.
- (d) As at 30 June 2022, other receivables mainly represent current portion of rental deposit of RMB648,000 (31 December 2021: RMB723,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

14. TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Receivables from third parties	70,369	87,590
Less: allowance for credit losses	(4,070)	(3,344)
	66,299	84,246

Note:

The Group normally allows a credit period of 90 days to its customers.

An aging analysis of trade receivables (after allowance for credit losses) based on invoice date is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 90 days	60,262	79,839
91 days to 180 days	5,857	4,007
181 days to 365 days	180	400
	66,299	84,246

An aging analysis of trade receivables (after allowance for credit losses) based on due date is as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Neither past due nor impaired	60,262	79,839
0–90 days past due	5,857	4,007
Over 90 days past due	180	400
	66,299	84,246

Trade receivables are classified as financial assets measured at amortised cost, their carrying amounts approximated their fair values due to their short maturities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. TRADE PAYABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Payables to third parties	33,683	27,413

Trade payables and their aging analysis based on invoice date are as follows:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Up to 90 days	23,920	21,721
91 days to 180 days	2,005	1,539
181 days to 360 days	4,165	1,873
Over 360 days	3,593	2,280
	33,683	27,413

16. OTHER PAYABLES AND ACCRUALS

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Reimbursement to staff	1,269	879
Accrued social security costs	1,714	1,263
Accrued listing expenses	1,169	1,169
Accrued services fee to auditor	470	1,308
Other tax payables (Note)	5,217	6,009
Salary payable	5,063	3,778
Others	543	30
	15,445	14,436

Note:

As at 30 June 2022, other tax payables mainly represent PRC Value Added Tax payable of RMB4,579,000 (31 December 2021: RMB5,237,000) and PRC Individual Income Tax payable (withholding tax) of RMB447,000 (31 December 2021: RMB640,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

17. SHARE CAPITAL

	Par value	Number of ordinary shares '000	Amount RMB'000
Authorised:			
At 1 January 2021 (audited), 31 December 2021 (audited) and 30 June 2022 (unaudited)	HK\$0.00001	38,000,000	334
Issued and fully paid:			
At 1 January 2021 (audited)		150,000	1
Global Offering (<i>Note</i>)		50,000	—*
At 31 December 2021 (audited) and 30 June 2022 (unaudited)		200,000	1

* Less than RMB1,000

Notes:

- On 19 January 2021, the Company issued a total of 50,000,000 new shares of HK\$0.00001 each at an issue price of HK\$3.00 per share pursuant to its prospectus dated 31 December 2020 (the "Global Offering"). The gross listing proceeds were HK\$150,000,000 (approximately RMB124,812,000).
- As at 30 June 2022, 14,198,000 (31 December 2021: 14,198,000) shares held by a designated trustee for the purpose of providing existing and future RSUs grants under the restricted share units scheme ("RSU Scheme") (effective from Listing Date) were considered as treasury shares of the Company (Note 18).

18. EQUITY-SETTLED SHARE-BASED COMPENSATION

Share option scheme

On 21 December 2020, the Company has adopted a share option scheme under which eligible persons, including directors of the Group may be granted options to subscribe for shares in the Company.

No share option has been granted as at 30 June 2022 and 31 December 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

18. EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)

RSU Scheme

On 18 September 2019, the Company conditionally adopted the RSU Scheme by a resolution of shareholders and a resolution of board of directors. The purpose of the RSU Scheme is to attract and to retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group. The RSU Scheme became effective since 19 January 2021, the Listing Date.

Under the RSU Scheme, the directors of the Company may grant award of RSUs to any directors, employees, consultants and any persons contribute to the Company, its subsidiaries or PRC operating entities a conditional right when the award vests to obtain shares of the Company on the date of vesting, as determined by the board of directors of the Company in its absolute discretion.

The RSU Scheme will remain in force for a period of 10 years commencing from 18 September 2019.

On 25 June 2021, in exchange for employee services to the Group, 15,170,000 RSUs (equivalent to 15,170,000 ordinary shares of the Company) were granted to certain eligible persons selected by the board of directors. Under the terms of the grant letter, the RSUs shall be vested as to 34%, 23%, 38% and 5% on 25 June 2021, 31 December 2021, 31 December 2022 and 31 December 2023, respectively, of which certain designated grantees also required to fulfil certain service conditions and non-market performance conditions, except for the aforesaid first 34% of the RSUs.

The fair values of the RSUs have been arrived with reference to a valuation carried out on grant date by Norton Appraisals Holdings Limited, an independent professional valuer not connected with the Group, with reference to the grant date share price. As at 25 June 2021, the fair value of the RSUs was HK\$2.19.

Movement of the RSU Scheme for the six months ended 30 June 2022 and 2021 is as follows:

	Six months ended 30 June	
	2022 '000 (Unaudited)	2021 '000 (Unaudited)
At 1 January	6,404	–
Granted during the period	–	15,170
Vested and settled (Note)	–	(5,154)
Lapsed/cancelled (Note)	(44)	–
At 30 June	6,360	10,016

Note:

On 25 June 2021, RSUs representing 5,154,030 underlying shares were vested, representing the first 34% of the underlying shares of the RSUs. The amount of RSUs vested during the six months ended 30 June 2021 was approximately RMB9,415,000. During the six months ended 30 June 2022, RSUs of 44,000 (30 June 2021: Nil) underlying shares were lapsed/cancelled.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below analyses the Group's financial instruments carried at fair value or fair value less costs to sell as at 30 June 2022 and 31 December 2021 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value or fair value less costs to sell.

	Level 3 RMB'000
At 30 June 2022 (unaudited)	
Assets	
— Long-term equity instruments at FVTOCI (Note 11a)	18,293
— Short-term financial assets at FVTPL (Note 11b)	60,500
	78,793
At 31 December 2021 (audited)	
Assets	
— Long-term equity instruments at FVTOCI (Note 11a)	22,565
— Short-term financial assets at FVTPL (Note 11b)	9,500
	32,065

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

The following table presents the changes in level 3 instruments of financial assets at FVTPL and equity instruments at FVTOCI and assets classified as held for sale during the period.

	Assets classified as held for sale RMB'000	Financial assets at FVTPL RMB'000	Equity instruments at FVTOCI RMB'000
At 1 January 2022 (audited)	–	9,500	22,565
Purchased	–	95,000	–
Disposal	–	(44,353)	–
Total gain:			
— in profit or loss	–	353	–
— in other comprehensive income	–	–	(4,272)
At 30 June 2022 (unaudited)	–	60,500	18,293
At 1 January 2021 (audited)	–	15,900	16,826
Purchased	–	77,000	–
Disposal	–	(52,190)	–
Total gain:			
— in profit or loss	–	290	–
— in other comprehensive income	–	–	25,399
Transferred to assets classified as held for sale	–	–	(10,000)
Transferred from equity instruments at FVTOCI	10,000	–	–
At 30 June 2021 (unaudited)	10,000	41,000	32,225

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Notes:

- (i) The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements of the financial assets at FVTOCI as at 30 June 2022 and 31 December 2021.

Description	Fair value		Valuation techniques	Price to sales ratio		Relationship of unobservable inputs to fair value
	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)		30 June 2022	31 December 2021	
Unlisted equity securities						
Beijing Cezhiyi	2,389	2,284	Market comparison	2.02	1.49	An increase in the price to sales ratio used would result in an increase in the fair value measurement of the unlisted equity security, and vice versa.
Shanghai Bohuikang	12,893	17,045	Market comparison	4.27	3.35	
Lingchuang Yigu	3,011	3,236	Market comparison	10.96	13.09	
	18,293	22,565				

As at 30 June 2022, the fair values or fair value less costs to sell of the above equity instruments at FVTOCI have been estimated by management of the Group by using market comparison method with adjustments. As at 31 December 2021, the fair values of the above equity instruments at FVTOCI have been arrived with reference to a valuation carried out on 31 December 2021 by 北京立信東華資產評估有限公司, an independent professional valuer not connected with the Group, using market comparison method with adjustments.

- (ii) As at 30 June 2022, the fair value of financial assets at FVTPL amounting to RMB60,500,000 (31 December 2021: RMB9,500,000), is determined by the spot rate quoted by the issuer of the financial products. These financial products are structured fixed deposits with financial institutions with three-month maturities. Details are disclosed in Note 11b.
- (iii) If the fair values of the financial assets at FVTPL held by the Group had been 10% (31 December 2021: 10%) higher/lower, the loss before taxation for the six months ended 30 June 2022 would have been approximately RMB6,050,000 (profit before taxation for the year ended 31 December 2021: RMB950,000 higher/lower) lower/higher.

If the fair values of the equity instruments at FVTOCI held by the Group had been 10% higher/lower, the other comprehensive income for the six months ended 30 June 2022 would have been approximately RMB1,555,000 (for the year ended 31 December 2021: RMB1,918,000) higher/lower.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during both periods.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules are as follows:

Long position in the Shares

Name of Director	Nature of Interest	Number of Shares ⁽¹⁾	Total Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding ⁽¹⁾
Mr. Shi Wei	Beneficial owner	2,600,000 (L)	108,519,000 ⁽³⁾	54.26%
	Interest in a controlled corporation	40,651,000 (L)		
	Interest held jointly with another person	65,268,000 (L) ⁽²⁾		
Mr. Yang Weimin	Interest in a controlled corporation	25,415,000 (L)	108,519,000 ⁽⁴⁾	54.26%
	Interest held jointly with another person	83,104,000 (L) ⁽²⁾		
Mr. Wang Liang	Beneficial owner	2,400,000 (L)	108,519,000 ⁽⁵⁾	54.26%
	Interest in a controlled corporation	12,038,000 (L)		
	Interest held jointly with another person	94,081,000 (L) ⁽²⁾		
Mr. Wang Wei	Beneficial owner	800,000 (L)	800,000	0.40%
Mr. Sui Huijun	Beneficial owner	2,000,000 (L)	2,000,000	1.00%
Ms. Zhang Yitao	Interest in a controlled corporation	25,415,000 (L)	108,519,000 ⁽⁶⁾	54.26%
	Interest held jointly with another person	83,104,000 (L) ⁽²⁾		

Notes:

- (1) The Letter "L" denotes the person's long position in the Shares. The percentage of shareholding was calculated based on Company's total issued shares of 200,000,000 Shares as at 30 June 2022.
- (2) The Company's ultimate controlling shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, are parties acting in concert and on 13 October 2019, they entered into written agreement to, among others, confirm their acting-in-concert arrangement. Please refer to the section headed "History and Reorganization — Parties Acting in Concert" in the Prospectus for further details. By virtue of the SFO, each controlling shareholder is deemed to be interested in the Shares beneficially owned by other controlling shareholders.
- (3) Mr. Shi Wei was deemed to be interested in 108,519,000 Shares, among which 40,651,000 Shares were held by Ji Ze Investment Management Company Limited ("Ji Ze Investment"), 2,600,000 Shares were held in his own capacity and 65,268,000 Shares were held jointly with another person as stated in Note (2).
- (4) Mr. Yang Weimin was deemed to be interested in 108,519,000 Shares, among which 25,415,000 Shares were held by Shun Jia Investment Management Company Limited ("Shun Jia Investment") and 83,104,000 Shares were held jointly with another person as stated in Note (2).

Other Information

- (5) Mr. Wang Liang was deemed to be interested in 108,519,000 Shares, among which 12,038,000 Shares were held by Tai Zhi Feng Investment Management Company Limited (“**Tai Zhi Feng Investment**”), 2,400,000 Shares were held in his own capacity and 94,081,000 Shares were held jointly with another person as stated in Note (2).
- (6) Ms. Zhang Yitao was deemed to be interested in 108,519,000 Shares, among which 25,415,000 Shares were held by He Hui Wan Yi Investment Management Company Limited (“**He Hui Wan Yi Investment**”) and 83,104,000 Shares were held jointly with another person as stated in Note (2).

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 June 2022, the following persons (other than the Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long Position in the Share

Name of Shareholder	Nature of Interest	Number of Shares ⁽¹⁾	Approximate Percentage of Shareholding ⁽¹⁾
Ji Ze Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
Shun Jia Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
He Hui Wan Yi Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
Tai Zhi Feng Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
The Core Trust Company Limited ⁽²⁾	Trustee	20,000,000 (L)	10.00%
TCT (BVI) Limited ⁽²⁾	Other	20,000,000 (L)	10.00%
Great Insight Global Limited ⁽²⁾	Nominee for another person	20,000,000 (L)	10.00%

Notes:

- (1) The letter “L” denotes the person’s long position in the Shares. The percentage of shareholding was calculated based on Company’s total issued shares of 200,000,000 Shares as at 30 June 2022.
- (2) The Company’s ultimate controlling shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, are parties acting in concert and on 13 October 2019, they entered into written agreement to, among others, confirm their acting-in-concert arrangement. Please refer to the section headed “History and Reorganization — Parties Acting in Concert” in the Prospectus for further details. By virtue of the SFO, each controlling shareholder is deemed to be interested in the Shares beneficially owned by other controlling shareholders.

- (3) Ji Ze Investment is wholly-owned by Mr. Shi Wei. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Shun Jia Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by Ji Ze Investment.
- (4) Shun Jia Investment is wholly-owned by Mr. Yang Weimin. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by Shun Jia Investment.
- (5) He Hui Wan Yi Investment is wholly-owned by Ms. Zhang Yitao. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by He Hui Wan Yi Investment.
- (6) Tai Zhi Feng Investment is wholly-owned by Mr. Wang Liang. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment and He Hui Wan Yi Investment are deemed to be interested in the Shares held by Tai Zhi Feng Investment.
- (7) The Core Trust Company Limited, as a trustee, holds 20,000,000 Shares on trust under the RSU Scheme through Great Insight Global Limited (the “**Nominee**”). The Nominee is wholly-owned by TCT (BVI) Limited, which is in turn wholly-owned by The Core Trust Company Limited.

Save as disclosed above, as at 30 June 2022, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section “Directors’ and Chief Executives’ Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations” above, had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

RSU SCHEME

The Company has conditionally adopted the restricted share units scheme (the “**RSU Scheme**”) by a resolution of the shareholders of the Company and a resolution of the Board on 18 September 2019.

Please refer to the section headed “Statutory and General Information — RSU Scheme” in the Prospectus for further details of the RSU Scheme.

Other Information

On 25 June 2021, an aggregate of 15,170,000 restricted share units (“RSUs”) were granted under the RSU Scheme. Among the 15,170,000 RSUs granted, 9,100,000 RSUs were granted to the Directors and 6,070,000 RSUs were granted to other employees of the Group. No RSUs had been granted or agreed to be granted under the RSU Scheme during the Reporting Period. Details of the movements of the RSUs during the Reporting Period are set out below:

Grantee	Date of grant	Number of unvested RSUs as at 1 January 2022	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Number of unvested RSUs as at 30 June 2022
<i>Directors</i>						
Mr. Shi Wei	25 June 2021	650,000	–	–	–	650,000
Mr. Wang Liang	25 June 2021	600,000	–	–	–	600,000
Mr. Sui Huijun	25 June 2021	1,100,000	–	–	–	1,100,000
Mr. Wang Wei	25 June 2021	440,000	–	–	–	440,000
<i>Other Employees</i>	25 June 2021	3,614,500	–	–	44,000	3,570,500
Total		6,404,500	–	–	44,000	6,360,500

Notes:

- On 25 June 2021, RSUs representing 5,154,030 Shares were vested, representing the first 34% of the total number of the RSUs granted on 25 June 2021. On 31 December 2021, RSUs representing 647,500 Shares were vested, representing the second 23% of the total number of RSUs granted on 25 June 2021, and RSUs representing 2,963,970 Shares were lapsed/cancelled during the year ended 31 December 2021.
- The 1,300,000 RSUs granted to Mr. He Jiyong, of which 1,200,030 RSUs were vested on 25 June 2021 and the remaining 99,970 RSUs were lapsed upon Mr. He Jiyong’s resignation as an executive Director and chief financial officer of the Company on 17 November 2021.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the “Share Option Scheme”) on 21 December 2020, which became effective on 19 January 2021, the Listing Date.

Please refer to the section headed “Statutory and General Information — Share Option Scheme” in the Prospectus for further details of the Share Option Scheme.

As at 30 June 2022, no share option had been granted under the Share Option Scheme.

CONTRACTUAL ARRANGEMENTS

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting video production services and are restricted from conducting internet hospital services and value-added telecommunications services, therefore, the Group cannot directly acquire equity interests in the Consolidated Affiliated Entities (as defined in the Prospectus). Due to these restrictions, the Group conducts part of its operations in the PRC through the Contractual Arrangements (as defined in the Prospectus) with Mediwelcome Beijing Healthcare Technology Co., Ltd.* (北京麥迪衛康醫療科技有限公司, "**Mediwelcome Beijing**") and its shareholders, namely the Registered Shareholders (as defined in the Prospectus). The Contractual Arrangements allow the financials and results of operations of the Consolidated Affiliated Entities to be consolidated into the Group's consolidated financial statements as if they were wholly-owned subsidiaries of the Group.

Please refer to the section headed "Regulatory Overview" in the Prospectus for further details of the limitations under applicable PRC laws and regulations on foreign ownership in PRC companies conducting the said services.

Qualification Requirements

Qualification Requirements for Internet Hospital Service

According to Interim Measures for the Administration of Sino-foreign Joint Ventures and Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》) (the "**Interim Measures**"), foreign investors are not allowed to hold more than 70% of the equity interest of a sino-foreign joint venture medical institution. Furthermore, under the Interim Measures, the parties of the sino-foreign joint ventures medical institution shall have direct or indirect experience in medical or healthcare investments and management, and must satisfy certain requirements. Since the offshore companies of the Group, as newly-established entities, do not meet the said requirements, Ningxia Subsidiary could not be established in the form of sino-foreign joint venture company rather than a wholly domestic owned company as at the Listing Date. Furthermore, it is practically impossible to gain Practice License for Medical Institutions (醫療機構執業許可證) in Ningxia Autonomous Region if there is any foreign investor in Mediwelcome Beijing.

According to Administrative Measures for Internet Hospitals (for Trial Implementation) (《互聯網醫院管理辦法(試行)》) and the Implementing Measures for the Administration of Internet Hospitals in Ningxia Hui Autonomous Region (for Trial Implementation) (《寧夏回族自治區互聯網醫院管理實施辦法(試行)》) (together, the "**Relevant Measures for Internet Hospitals**") where a third-party institution relies on and cooperates with a physical hospital to establish an internet hospital, the third party institution shall provide the physical hospital with the resources and/or connections to physicians, pharmacists and other professionals services and information technology support services.

Other Information

FITE Regulations Update

According to the Regulations for the Administration of Foreign-Invested Telecommunication Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which was promulgated by the State Council of the PRC on 11 December 2001 and amended on 10 September 2008, 6 February 2016 and 29 March 2022, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including Internet Content Provider services.

On 7 April 2022, the State Council announced The Decision of the State Council to Amend and Repeal Certain Administrative Regulations, which amends the FITE Regulations to, among other things, repeal the qualification requirements for foreign investors holding equity interests in Chinese companies engaged in value-added telecommunications business contained in the FITE Regulations and it will not be required to demonstrate good track records and experience in operating value-added telecommunications business overseas. The revised FITE Regulations have come into effect on 1 May 2022. There are significant uncertainties regarding the interpretation and implementation of the amended FITE Regulations. It also remains uncertain whether the PRC government agencies will impose additional requirements in practice on foreign investors in PRC companies providing value-added telecommunications services.

Efforts and Actions Taken to Comply with the Qualification Requirements

Qualification Requirements for Internet Hospital Service

The Group has been progressively building up its track record of overseas medical services for being qualified, as soon as possible, to acquire the maximum permissible equity interests in Yinchuan Mediwelcome Internet Hospital Co., Ltd.* (銀川麥迪衛康互聯網醫院有限公司) should there be any relaxation or change in the relevant requirement in the future. The Group has taken the following measures to meet the said qualification requirements:

- the Group has incorporated a subsidiary in Hong Kong, namely Mediwelcome (HK) Investment Management Company Limited (“**Mediwelcome HK**”);
- the Group has conducted feasibility study on providing conference and consulting services to medical institutions and medical associations through Mediwelcome HK, to help Mediwelcome HK accumulating management experience in medical industry; and
- Mediwelcome HK will seek cooperation opportunities from leading medical institutions to accumulate management experience and study leading management and service model in medical industry.

FITE Regulations Update

Notwithstanding the significant uncertainties in the interpretation and implementation of the amended FITE Regulations, the Group has continued to establish the operation of our overseas business gradually and has taken the following measures:

- the Group has applied for, and is in the process of, registering trademarks outside the PRC for the expansion of business operations overseas as and when appropriate;
- the Group has incorporated a subsidiary in Hong Kong, namely Mediwelcome (HK), which can be readily serviced as an overseas platform when it expands its business outside the PRC; and

- the Group has considered expansion plans for overseas market and have further conducted overseas market and overseas investment feasibility research.

The Group will regularly consult with the relevant PRC government authorities to keep abreast of any new regulatory changes and to assess on an ongoing basis whether we are meeting the requirements set out by the PRC government authorities, where applicable. We will closely monitor and assess any changes in the implementation of the newly amended FITE Regulations and, when necessary and applicable, disclose in our interim report and annual report the latest progress of our response plan to address the regulatory changes to keep our shareholders and other investors informed.

For the Reporting Period, the Board has reviewed the overall performance of the Contractual Agreements and believed that the Group has complied with the Contractual Agreements in all material aspects.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Yang Xiaoxi, Mr. Fei John Xiang and Mr. Song Ruilin. Mr. Yang Xiaoxi is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results of the Group and the interim report of the Company for the six months ended 30 June 2022. The Audit Committee and the Company’s management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the “**Remuneration Committee**”) consists of three independent non-executive Directors, namely Mr. Fei John Xiang, Mr. Song Ruilin and Mr. David Zheng Wang. Mr. Fei John Xiang is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration of individual executive Directors, non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates is involved in deciding his own remuneration.

NOMINATION COMMITTEE

The nomination committee of the Company (the “**Nomination Committee**”) consists of three members, namely Mr. Shi Wei, executive Director and Mr. Fei John Xiang and Mr. David Zheng Wang, independent non-executive Directors. Mr. Shi Wei is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted corporate governance practices based on the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) as contained in Part 2 of Appendix 14 to the Listing Rules as its own code of corporate governance practices. During the Reporting Period, the Company had complied with the CG Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions.

Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Company has also adopted written guidelines (the “**Employees Written Guidelines**”) no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the Reporting Period.

DIVIDEND

The Board resolved not to declare the payment of any interim dividend in respect of the six months ended 30 June 2022 (2021: Nil).

By order of the Board

Mediwelcome Healthcare Management & Technology Inc.

麥迪衛康健康醫療管理科技股份有限公司

Shi Wei

Chairman and Executive Director

Hong Kong
30 August 2022