梅斯

MedSci Healthcare Holdings Limited
梅斯健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2415)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of MedSci Healthcare Holdings Limited (the "**Company**", "**We**" or "**Our**") announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2022 (the "**Corresponding Period**").

FINANCIAL HIGHLIGHTS

	For six months ended 30 June		Period-on-period movement*
	2023	2022	
	(Unaudited)	(Unaudited)	
	(RMB'000)		%
Revenue	**151,400**	135,287	11.9
Cost of sales	**63,070**	53,687	17.5
Gross profit	**88,330**	81,600	8.2
Profit/(Loss) for the period	**11,920**	(107,198)	N/A
Profit/(Loss) attributable to owners of the parent	**11,920**	(107,198)	N/A
Non-IFRS adjusted net profit**	**12,213**	10,575	15.5

* Period-on-period movement% represents a comparison between the Reporting Period and the Corresponding Period.

** Non-IFRS adjusted net profit was derived from the unaudited profit for the period adjusted by excluding the relevant listing expenses and fair value gains/losses on convertible redeemable preferred shares.

Revenue by solution category

	For six months ended 30 June				Period-on-period movement*
	2023		2022		
	(Unaudited)		(Unaudited)		
	(RMB in thousands, except percentages)				
	RMB	***%***	*RMB*	*%*	*%*
Revenue					
Precision Omni-channel Marketing Solutions	**85,523**	**56.5**	76,437	56.5	11.9
Physician Platform Solutions	**43,876**	**29.0**	36,985	27.3	18.6
RWS Solutions	**22,001**	**14.5**	21,865	16.2	0.6
Total	**151,400**	**100.0**	135,287	100.0	11.9

* Period-on-period movement% represents a comparison between the Reporting Period and the Corresponding Period.

BUSINESS OVERVIEW AND OUTLOOK

Business overview

The Group operates online professional physician platforms in China. As of 30 June 2023, our platform had approximately 3.0 million registered physician users and our average MAU (as defined below in Note) reached approximately 2.8 million in 2023. Our *MedSci* platform also features a high percentage of experienced physician users with the title of associate-chief physician (副主任醫師) and above. The total number of registered physician users on our *MedSci* platform who had the title of associate-chief physician and above represented 72% of the total number of physicians in China who had obtained the title of associate-chief physician and above, based on the latest published information from the NHC. Our *MedSci* platform is accessible through multiple channels such as website, mobile application, WeChat mini-program and WeChat public account. The platform proactively engages physicians through means such as email, phone calls, WeChat, and WeChat groups. Contents available on our platform are principally and independently published by MedSci. Furthermore, third parties, including pharmaceutical and medical device companies, industry associations, and individual self-media, are provided with ancillary support for their release of information.

Note: "MAU" refers to number of unique registered users, including all registered users such as physicians, nurses, pharmacists and other non-healthcare professionals, that accessed our platform in a given month; "average MAUs" for a particular period is the average of the MAUs in each month during that period; we count a registered user as an active user only when such user accesses our platform at least once in a given month; multiple logins through one account will be consolidated when determining the number of active users.

The Group maintains a comparatively balanced development in precision omni-channel marketing, physician platforms, and real-world clinical study (RWS) businesses. By rendering support to precision omni-channel marketing and RWS business, our platform effectively safeguards the foundation and sustainability of our business operations. The Group's precision omni-channel marketing largely differs from the majority of digital marketing companies in the following ways: (i) the Group's precision omni-channel marketing mainly features the integration of academic marketing and digital marketing, which persists in the dual drive of medicine and digitalisation to promote the transformation of the pharmaceutical marketing model from traditional marketing models to digital and academic approaches, as pure digital marketing easily leads to the phenomenon where bad money drives out good money. As affected by policies including volume-based procurement and current anti-corruption campaigns in the healthcare industry, pharmaceutical and medical device enterprises have witnessed significant reduction in both revenue and profit, and therefore are actively seeking digital and academic marketing models, as well as marketing solutions to improve efficiency at lower costs, comply with regulations, and implement precise, value-based medicine, which aims to align with the current strict anti-corruption policies and identify alternatives to traditional marketing models; (ii) the Group's precision omni-channel marketing does not contradict digital marketing or on-ground marketing. It flexibly adopts multimodal marketing approaches according to different stages of product lifecycles. For example, in the early stages of launching innovative drug products, the Group closely integrates digital academic marketing with the ground sales teams of our clients to achieve the omni-channel coverage for greater marketing effectiveness; and (iii) value-based healthcare orientation. By persisting in the development model driven by both medicine and digitalisation, the Group explores the academic highlights of pharmaceutical and medical device products, which are used to identify the clinical application differences among different products. This allows the products to accurately match suitable patients, which is conducive to promoting rational use of drugs in clinical settings and facilitating the clinical recognition of the therapeutic value of the products, and ultimately benefits patients, as well as pharmaceutical and medical device enterprises.

As for precision omni-channel marketing and RWS targeted at pharmaceutical and medical device enterprises, certain products have achieved initial synergistic interaction, which means that the potential academic highlights of the products are analysed, and clinical evidence and pharmacoeconomic evidence are provided through RWS. Furthermore, these evidence-based findings are further promoted through digitalisation and academic approaches at the marketing level. As the Group's business continues to progress, it is expected that stronger synergistic effects will come to light in the future.

In response to the requirements of pharmaceutical and medical device enterprises for precision omni-channel marketing and RWS, the Group has developed targeted digital academic marketing products based on the features of therapeutic fields and product lifecycles: (i) in relation to products in the public health domain, segmentation-based digital academic marketing solutions have been developed, which has played a crucial role in promoting products in recent public health domains like COVID-19 infection and influenza, and facilitate the timely connection of clinically effective innovative drugs to patients in need. Furthermore, our service coverage fully extends to COVID-19 treatment drugs and influenza treatment drugs domestically approved for their launch in the market; (ii) as products related to rare diseases, which are innovative in nature, currently have comparatively limited market size in China, the traditional marketing models adopted by businesses are costly and ineffective. The Group has created the iDocEco ecosystem and iPatflow digital patient classification product for these types of products, facilitating their faster identification of potential patients and subsequent diagnosis and treatment. Currently, these solutions have achieved significant marketing outcomes for multiple rare disease products and innovative drugs for certain specific therapeutic areas, providing timely diagnosis and treatment for many patients suffering from rare diseases.

In the first half of 2023, 180 pharmaceutical and medical device enterprises utilised our Group's precision omni-channel marketing and RWS services, including 336 medical device-related products. With favourable policies surrounding innovative pharmaceuticals and medical devices, it will contribute to the sustainable development of the Group's future business.

As regards research and development, for the large language model (LLM), we conducted internal testing of our exclusive artificial intelligence (AI) program called MSchat in the first half of 2023. It is expected to be officially launched in the second half of 2023 and be applied to our clients. Meanwhile, the Company has actively deployed various AI applications across different business segments. Currently, AI technology has been fully implemented in a variety of departments including research and development, as well as medical department, to enhance efficiency and quality.

The physician platform business, as the cornerstone of the Company's development, primarily caters to the ongoing medical education and clinical research requirements of healthcare professionals. By providing our website and mobile application services, we offer comprehensive support to physicians in clinical practice and research, including access to cutting-edge information, research skill development, and research tool support. This business segment maintains a steady growth trajectory, which will further strengthen our leading position in this field.

The Group's revenue increased by approximately 11.9% from approximately RMB135.3 million for the six months ended 30 June 2022 to approximately RMB151.4 million for the six months ended 30 June 2023. Our gross profit amounted to approximately RMB88.3 million for the six months ended 30 June 2023, representing an increase of approximately 8.2% as compared to approximately RMB81.6 million for the six months ended 30 June 2022. The gross profit margin for the six months ended 30 June 2023 continued to maintain a high level at 58.3%. The net profit for the six months ended 30 June 2023 was approximately RMB11.9 million as compared to net loss of approximately RMB-107.2 million for the six months ended 30 June 2022, being the same period of the previous year. The adjusted net profit for the six months ended 30 June 2023 was approximately RMB12.2 million, representing an increase of approximately 15.5% as compared to approximately RMB10.6 million for the six months ended 30 June 2022. The Group's net profit margin (calculation of which is based on the profit for the period) grew from approximately −79.2% for the six months ended 30 June 2022 to approximately 7.9% for the same period in 2023. The adjusted net profit margin for the six months ended 30 June 2023 was approximately 8.1%, representing an increase of 0.3 percentage point as compared to approximately 7.8% for the same period in 2022.

OUTLOOK

Although the pharmaceutical sector faces numerous challenges amid the ongoing adjustments of the overall economic conditions, our *MedSci* platform as the physician platform remains confident about the future. In the second half of 2023, the Group will consolidate its position as China's leading physician platform through the following strategies:

(i) We continue to build multiple targeted precision omni-channel marketing products based on the features of the therapeutic field and product lifecycle. In the earlier stages, the Group mainly focuses its service products on innovative drugs and medical devices, particularly innovative medications. In the second half of 2023, the Group will develop a series of products specifically targeted at centralised procurement products and innovative medical devices, providing the industry with more comprehensive product solutions.

In the context of the comprehensive rollout of centralised procurement and the intensified anti-corruption efforts in the pharmaceutical sector, the Group persists in the value-based medical concept and upholds the development model driven by both medical academia and digitalisation. This aligns well with policy developments and the demand for digital academic marketing transformation from customers. Due to the accumulation of a large customer base, industry experience, and best practices in previous years, our *MedSci* platform will be in a favourable position to benefit from the industry's digital and academic marketing transformation.

(ii) The LLM AI application in the healthcare and pharmaceutical sectors has gained widespread usage due to the rapid development of AI technology. The Group actively embraces AI and expects to enhance service quality and efficiency to reduce relative costs as AI applications deepen. Furthermore, as part of our AI products, MSchat has completed internal testing as of 30 June 2023, and it is currently in the beta version trial phase (https://mschat.medsci.cn). In the second half of 2023, specific applications based on MSchat, which are targeted at pharmaceutical and medical device enterprises, will be launched.

(iii) Specialisation and segmentation of the physician platform. The Group's physician platform is comprehensive, allowing doctors across different disciplines to exchange knowledge and enabling specialist practitioners to learn interdisciplinary knowledge. In recognition of the value of vertical medical platforms, however, the Group will develop a specialist platform for vertical fields to further refine the platform's value and user experience, laying the foundation for future commercialisation.

(iv) In the second half of 2023, the Group will pursue a dual-track strategy of internal expansion and external acquisitions. Based on the current needs of the healthcare and pharmaceutical industries, the Group actively explores new business directions to identify the second growth curve for the business. Internal expansion primarily involves the continuity of developing innovative products and extending services to explore new business growth engines. External acquisitions are focused on identifying suitable acquisition targets to supplement the breadth and depth of the business.

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

For the six months ended 30 June 2023

	Notes	For the six months ended 30 June	
		2023	2022
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**151,400**	135,287
Cost of sales		**(63,070)**	(53,687)
GROSS PROFIT		**88,330**	81,600
Other income and gains		**13,158**	8,753
Selling and distribution expenses		**(49,725)**	(47,549)
Administrative expenses		**(31,773)**	(44,872)
Research and development expenses		**(19,144)**	(10,414)
Impairment losses on financial and contract assets		**(572)**	(3,302)
Fair value gains/(losses) on convertible redeemable preferred shares		**12,785**	(91,380)
Other expenses		**(18)**	(127)
Finance costs		**(153)**	(154)
PROFIT/(LOSS) BEFORE TAX	*6*	**12,888**	(107,445)
Income tax (expense)/credit	*7*	**(968)**	247
PROFIT/(LOSS) FOR THE PERIOD		**11,920**	(107,198)
Attributable to:			
Owners of the parent		**11,920**	(107,198)
		RMB	*RMB*
		(Unaudited)	(Unaudited)
EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic and diluted		**0.02**	(0.23)

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of the Company's financial information	**42,520**	(5,525)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**16**	92
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**42,536**	(5,433)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**54,456**	(112,631)
Attributable to owners of the parent	**54,456**	(112,631)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023** *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**16,915**	17,363
Right-of-use assets		**8,252**	10,229
Intangible assets		**1,827**	1,567
Deposits		**801**	1,196
Deferred tax assets		**1,384**	1,306
Total non-current assets		**29,179**	31,661
CURRENT ASSETS			
Trade receivables	*10*	**29,786**	37,720
Contract assets		**71,592**	64,927
Due from a related party		**—**	250
Prepayments, deposits and other receivables		**11,381**	12,691
Financial assets at fair value through profit or loss		**389,047**	—
Cash and bank balances		**760,149**	599,266
Total current assets		**1,261,955**	714,854
CURRENT LIABILITIES			
Trade payables	*11*	**1,140**	1,967
Other payables and accruals		**153,336**	154,148
Lease liabilities		**5,231**	5,526
Tax payable		**—**	2,163
Total current liabilities		**159,707**	163,804
NET CURRENT ASSETS		**1,102,248**	551,050
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,131,427**	582,711

	Notes	**30 June 2023** *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares		**—**	720,907
Lease liabilities		**2,345**	4,068
Total non-current liabilities		**2,345**	724,975
NET ASSETS/(LIABILITIES)		**1,129,082**	(142,264)
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**420**	5
Treasury shares		**(30)**	—*
Convertible preferred shares		**—**	53,417
Reserves		**1,128,692**	(195,686)
TOTAL EQUITY/(DEFICIENCY IN ASSETS)		**1,129,082**	(142,264)

* Amount less than RMB1,000.

NOTES TO THE CONSOLIDATED BALANCE SHEET
30 June 2023

1. CORPORATE INFORMATION

MedSci Healthcare Holdings Limited (the "Company") incorporated in the Cayman Islands on 22 June 2021 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The principal place of business of the Group is located at Floor 3, Lane 425, Yishan Road, Xuhui District, Shanghai, China.

The Company is an investment holding company. During the period, the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the provision of physician platform solutions, precision omni-channel marketing solutions, and real-world study solutions (collectively the "Listing Business") in the People's Republic of China (the "PRC").

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") effective from 27 April 2023.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

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

d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of physician platform solutions, precision omni-channel marketing solutions and real-world study solutions in the PRC.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

During the period, the Group operated within one geographical location because all of its revenues were generated in the PRC and all of its long-term assets/capital expenditures were located/incurred in the PRC. Accordingly, no geographical information is presented.

(b) Non-current assets

Almost all of the Group's non-current assets as at the end of each reporting period were located in Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

No revenue from the provision of services to a single customer amounted to 10% or more of the total revenue of the Group during the period.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**151,400**	135,287

Revenue from contracts with customers

(a) Disaggregated revenue information

For the six months ended 30 June 2023

	Physician platform solutions	**Precision omni-channel marketing solutions**	**Real-world study solutions**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Types of services				
Provision of services	**43,876**	**85,523**	**22,001**	**151,400**
Geographical market				
Mainland China	**43,876**	**85,523**	**22,001**	**151,400**
Timing of revenue recognition				
Over time	**43,876**	**85,523**	**22,001**	**151,400**
Total revenue from contracts with customers	**43,876**	**85,523**	**22,001**	**151,400**

For the six months ended 30 June 2022

	Physician platform solutions *RMB'000* (Unaudited)	Precision omni-channel marketing solutions *RMB'000* (Unaudited)	Real-world study solutions *RMB'000* (Unaudited)	Total *RMB'000* (Unaudited)
Types of services				
Provision of services	36,985	76,437	21,865	135,287
Geographical market				
Mainland China	36,985	76,437	21,865	135,287
Timing of revenue recognition				
Over time	36,985	76,437	21,865	135,287
Total revenue from contracts with customers	36,985	76,437	21,865	135,287

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

Physician platform solutions

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these types of contracts.

Precision omni-channel marketing solutions and real-world study solutions

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 180 days from the date of billing. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these types of contracts.

6. PROFIT/LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of services provided	**35,994**	28,332
Depreciation of property, plant and equipment	**618**	555
Depreciation of right-of-use assets	**3,262**	3,805
Amortisation of intangible assets	**112**	—
Research and development expenses*	**19,144**	10,414
Impairment/(reversal of impairment) of financial assets, net:		
— Trade receivables	**(320)**	(76)
— Contract assets	**807**	3,356
— Other receivables	**85**	22
Lease payment not included in the measurement of lease liabilities	**—**	40
Bank interest income	**6,012**	4,291
Tax incentives	**227**	147
Fair value (gains)/losses on convertible redeemable preferred shares	**(12,785)**	91,380
Fair value gain on financial assets at fair value through profit or loss	**1,119**	—
Loss on deregistration of a subsidiary	**—**	71
Listing fee	**13,078**	26,393
Employee benefit expenses (including directors' and chief executive's remuneration):		
Salaries, bonus and other allowances	**67,610**	66,069
Pension scheme contributions and social welfare	**17,260**	16,967
Equity-settled share-based payments	**3,189**	3,372
	88,059	86,408

* The amounts disclosed for research and development expenses included direct employee costs and overhead costs (e.g., depreciation of the related equipment) and represent current period's expenditures.

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and the Group's subsidiary incorporated in the British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong and the United States were not liable for income tax as the subsidiary in Hong Kong did not have any assessable profits arising in Hong Kong and the subsidiary in the United States has tax losses during the periods.

The provision for current income tax in Mainland China is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law, except for Shanghai MedSci MedTech Co., Ltd. (上海梅斯醫藥科技有限公司 ("Shanghai MedSci"), a subsidiary of the Group. Shanghai MedSci applied for the "High and New Technology Enterprise" qualification and obtained the certificate in 2020. The "High and New Technology Enterprise" qualification is subject to review by the relevant tax authority in the PRC for every three years. Accordingly, Shanghai MedSci was subject to corporate income tax at a rate of 15% for the six months ended 30 June 2023 and 2022. Certain of the Group's subsidiaries enjoy the preferential income tax treatment as Small and Micro Enterprise with a preferential income tax rate of 20% for the six months ended 30 June 2023 and 2022. In addition, for the annual taxable income amount below RMB1 million, the final taxable income will be reduced by 25% for 2023 and 12.5% for 2022. For the annual taxable income amount between RMB1 million and RMB3 million, the final taxable income will be reduced by 25% for 2023 and 2022.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the periods. The major components of income tax expense/(credit) of the Group are as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current — Mainland China:		
Overprovision in prior periods	**1,046**	—
Deferred tax	**(78)**	(247)
Total tax charge/(credit) for the period	**968**	(247)

8. DIVIDENDS

No dividend was paid or declared by the Company during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/loss per share amounts are based on the profit/loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 497,185,131 in issue during the period (six months ended 30 June 2022: 472,624,174), which represented the adjusted number of ordinary shares taking into consideration the share issuance and treasury shares and adjusted for the effect of the Capitalisation Issue.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the impact of the convertible redeemable preferred shares and the awarded interest/shares of the Company's/Shanghai MedSci's share incentive plan had an antidilutive effect on the basic earnings/(loss) per share amounts presented.

10. TRADE RECEIVABLES

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 year	**29,112**	36,805
1 to 2 years	**649**	881
2 to 3 years	**25**	34
	29,786	37,720

11. TRADE PAYABLES

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**1,140**	1,967

12. SHARE CAPITAL

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of USD0.0001 each	**15,000,000,000**	388,000,000
Issued and fully paid:		
Ordinary shares of USD0.0001 each	**607,170,950**	7,988,403
Treasury shares held	**(66,065,450)**	(1,321,309)

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Authorised:		
Ordinary shares of USD0.0001 each	**10,361**	248
Issued and fully paid:		
Ordinary shares of USD0.0001 each	**420**	5
Treasury shares held	**(30)**	—*

* Amount less than RMB1,000.

A summary of movements in the Group's issued capital during the period is as follows:

	Notes	Number of shares in issue	Share capital *RMB'000*	Treasury shares *RMB'000*	Convertible preferred shares *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
At 31 December 2022 and 1 January 2023		7,988,403	5	—*	53,417	—	53,422
Conversion of convertible preferred shares to ordinary shares	(a)	1,077,315	1	—	(53,417)	53,416	—
Conversion of convertible redeemable preferred shares to ordinary shares	(b)	1,741,921	1	—	—	698,811	698,812
Capitalization Issue	(c)	529,574,311	367	(30)	—	(337)	—
Issue of shares from IPO	(d)	66,789,000	46	—	—	535,834	535,880
At 30 June 2023		607,170,950	420	(30)	—	1,287,724	1,288,114

(a) All convertible preferred shares were automatically converted into ordinary shares on a one for one basis upon the successful IPO of the Company on 27 April 2023. As a result, the equity instruments for convertible preferred shares were derecognised and recorded as share capital and share premium.

(b) All convertible redeemable preferred shares were automatically converted into ordinary shares on a one for one basis upon the successful IPO of the Company on 27 April 2023. As a result, the financial liabilities of convertible redeemable preferred shares were derecognised and recorded as share capital and share premium.

(c) Pursuant to the written resolution of the shareholders of the Company passed on 28 March 2023, and subject to the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the Global Offering, a total of 529,574,311 shares credited as fully paid at par were allotted and issued on the 27 April 2023 ("**Listing Date**") to the holders of shares whose names appear on the register of members of the Company on the day preceding the Listing Date in proportion to their then existing shareholdings in the Company (on the basis that each Preferred Share was converted into one share) by capitalising the relevant sum from the share premium account of the Company. The shares allotted and issued pursuant to the above Capitalisation Issue will rank pari passu in all respects with the existing issued shares.

(d) In connection with the Company's IPO on 27 April 2023, 66,789,000 ordinary shares were issued and allotted at an offer price of HKD9.10 per share for a total gross cash consideration of HKD607,780,000 (equivalent to RMB535,880,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the first half of 2023, we generated revenue primarily from three main business lines, namely (i) precision omni-channel marketing solutions; (ii) physician platform solutions; and (iii) RWS solutions. Our total revenue increased by 11.9% from approximately RMB135.3 million for the six months ended 30 June 2022 to approximately RMB151.4 million for the same period in 2023, mainly attributable to increase in revenue from the precision omni-channel marketing solutions and physician platform solutions.

(i) Precision omni-channel marketing solutions

Revenue from precision omni-channel marketing solutions is primarily derived from fees paid by pharmaceutical and medical device companies in engaging us for precision detailing services, medical content creation services and online survey services. Revenue from precision omni-channel marketing solutions increased by approximately 11.9% from approximately RMB76.4 million for the six months ended 30 June 2022 to approximately RMB85.5 million for the same period in 2023, mainly attributable to the expansion of our customer coverage in response to changes in market conditions and national policies.

(ii) Physician platform solutions

Revenue from physician platform solutions is primarily derived from (i) service fees paid by physicians for engaging us for clinical study assistance services; and (ii) subscription fees paid by physicians for accessing certain premium academic medical contents on the *MedSci* platform. Revenue from physician platform solutions increased by approximately 18.6% from approximately RMB37.0 million for the six months ended 30 June 2022 to approximately RMB43.9 million for the same period in 2023, mainly attributable to our business growth significantly driven by the scientific research demand by physicians, which was stimulated by the introduction of certain new products in May 2022. In the meantime, as compared to previous years, the business-side staff were more stable in 2023, where the skillful business professionals are more effective in expanding the business and exploring customer needs, resulting in certain improvement in output.

(iii) RWS solutions

Revenue from RWS solutions is primarily derived from service fees paid by pharmaceutical and medical device companies in engaging us to design, administer and execute real-world evidence-based research projects to help expand their medical products' indication and recognition. Revenue from RWS solutions increased by approximately 0.6% from approximately RMB21.9 million for the six months ended 30 June 2022 to approximately RMB22.0 million for the same period in 2023, mainly attributable to revenue for the current period being largely the same as compared to the same period of the previous year, which resulted from more caution exercised by customers over their research-related investments after considering the overall decline in the pharmaceutical market.

Cost of Sales

Our cost of sales consists primarily of (i) staff salaries and benefits relating to employee benefit expenses incurred for employees involved in operating our platform and offering our solutions to customers; (ii) content development costs primarily relating to content development fees paid to various content contributors, copyright owners and other third parties to produce contents for our solutions offering; (iii) meeting affair charge relating to offline academic conferences we organised; and (iv) various other miscellaneous expenses such as, among others, office expenses and depreciation and amortisation incurred during the ordinary course of our business. Our content development costs increased by approximately 17.5% from RMB53.7 million for the six months ended 30 June 2022 to RMB63.1 million for the same period in 2023, mainly attributable to more investments in content development costs for the purposes of ensuring quality deliveries and customer satisfaction rate during our initial phase of our market entry.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 8.2% from approximately RMB81.6 million for the six months ended 30 June 2022 to approximately RMB88.3 million for the same period in 2023. For the six months ended 30 June 2023, our gross profit margin was approximately 58.3%, representing a slight decrease as compared to 60.3% in 2022.

Other Income and Gains

Our other income primarily consists of (i) bank interest income; (ii) tax incentives granted by local authorities; (iii) government grants; (iv) value-added tax; and (v) others. We also recognised gains for the six months ended 30 June 2023 which primarily includes (i) foreign exchange gains; and (ii) fair value gains on financial assets through profit or loss. For the six months ended 30 June 2023, our other income and gains were approximately RMB13.2 million, as compared to approximately RMB8.8 million for the same period in 2022. The increase was mainly attributable to (i) increase in income interest from bank deposits; and (ii) recognition of government grants.

Selling and Distribution Expenses

Our selling and distribution expenses consist primarily of (i) staff salaries and benefits mainly including expenses paid to employees performing selling and distribution functions; (ii) traveling expenses mainly including traveling fees incurred by our employees in performing selling and distribution functions; (iii) professional fees in relation to fees paid to external lecturers in hosting our online courses; (iv) business development expenses mainly including marketing-associated costs in relation to various online and offline campaigns; and (v) other miscellaneous expenses, such as, office expenses and depreciation and amortisation in relation to property, office equipment and electronic equipment in association with selling and distribution functions. Our selling and distribution expenses increased by approximately 4.6% from approximately RMB47.5 million for the six months ended 30 June 2022 to approximately RMB49.7 million for the same period in 2023, mainly attributable to the increased investment in the operation of the physician platforms, which is in line with the business expansion plan of the Company.

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee salaries and benefits, which primarily include salaries and benefits paid to employees performing research and development duties; (ii) depreciation and amortisation of properties, office equipment and electronic equipment related to research and development functions; (iii) technical service fees in relation to research and development service fees; (iv) procurement fees for software and servers, etc. related to R&D activities; and (v) other miscellaneous expenses. Our research and development expenses increased by approximately 83.8% from approximately RMB10.4 million for the six months ended 30 June 2022 to approximately RMB19.1 million for the same period in 2023, mainly due to the establishment of large-scale research and development projects by the Company in mid 2022. The purpose of these projects is to enhance the content quality of the Company's platform, increase user activity and stickiness, thereby increasing our marketing business volume. As our research and development activities are on-going, it will lead to an increase in our research and development expenses.

Administrative Expenses

Our administrative expenses consist primarily of (i) staff salaries and benefits mainly including salaries and benefits paid to employees performing administrative functions; (ii) depreciation and amortisation in relation to property, office equipment and electronic equipment in association with administrative functions; (iii) professional fees in relation to auditing fees, service fees paid for external training and service fees paid to employment agencies; (iv) office expenses in relation to administrative functions; (v) share-based payment in relation to the equity incentive plan; (vi) listing expenses in relation to the Global Offering; and (vii) other miscellaneous fees such as travelling expenses and utility expenses incurred during the ordinary course of our business when performing administrative functions. Our administrative expenses decreased by approximately 29.2% from approximately RMB44.9 million for the six months ended 30 June 2022 to approximately RMB31.8 million for the same period in 2023, mainly attributable to a decrease in listing expenses in respect of the Global Offering.

Finance Costs

Our finance costs primarily represent interest on our lease liabilities. Our finance costs were approximately RMB0.2 million for the six months ended 30 June 2022, which is basically the same as approximately RMB0.2 million for the same period in 2023.

Profit/(Loss) before Tax

As a result of the foregoing, we generated profit before tax of approximately RMB12.9 million for the six months ended 30 June 2023 as compared to a loss before tax of approximately RMB107.4 million for the six months ended 30 June 2022.

Income Tax (Expense)/Credit

Our income tax expense increased from approximately RMB-0.2 million for the six months ended 30 June 2022 to approximately RMB1.0 million for the same period in 2023, mainly attributable to a decrease in listing expenses in respect of the Global Offering.

Profit/(Loss) for the Period and Profit/(Loss) Attributable to Owners of the Parent

As a result of the foregoing, our loss for the period of approximately RMB107.2 million for the six months ended 30 June 2022 was turnaround to become a profit of approximately RMB11.9 million for the same period in 2023, while the loss attributable to owners of the parent of approximately RMB107.2 million for the six months ended 30 June 2022 was turnaround to become profit attributable to owners of the parent of approximately RMB11.9 million for the same period in 2023. Our net profit margin (calculation of which is based on profit for the period) increased from approximately –79.2% for the six months ended 30 June 2022 to approximately 7.9% for the same period in 2023.

Adjusted Net Profit (Non-IFRS measures)

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company also used unaudited non-IFRS adjusted net profit as an additional financial measure in order to evaluate its financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. The term "adjusted net profit" is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for the Reporting Period and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS.

The following table sets out the calculation of adjusted net profit for the periods indicated:

	For six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
Profit/(Loss) for the period	**11,920**	(107,198)
Add:		
Relevant listing expenses	**13,078**	26,393
Fair value (gains)/losses on convertible redeemable preferred shares	**(12,785)**	91,380
Adjusted net profit	**12,213**	10,575

For the six months ended 30 June 2023, the adjusted net profit (adjusted by excluding the relevant listing expenses and fair value gains on convertible redeemable preferred shares) amounted to approximately RMB12.2 million, representing an increase of approximately 15.5% as compared to approximately RMB10.6 million for the first half of 2022.

The adjusted net profit margin for the six months ended 30 June 2023 was approximately 8.1%, representing an increase of 0.3 percentage point as compared to approximately 7.8% for the same period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended 30 June 2023, we mainly intended to finance our future capital requirements through cash generated from our business operations, and the net proceeds from the Global Offering. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future.

The unutilised portion of the net proceeds raised by the Company from the Global Offering was placed with the licensed financial institutions as short-term deposits.

Cash and Cash Equivalents

The Group operates its business in the PRC and its transactions and revenue were primarily denominated in Renminbi ("**RMB**"). As such, the Group did not have material exposure to fluctuations in foreign currency exchange rates for cash generated from its operating activities. However, the net proceeds received by the Company from the Global Offering are denominated in Hong Kong dollars ("**HKD**") and the Company is exposed to fluctuation of exchange rate between RMB and Hong Kong dollars. The net proceeds raised by the Group from the Global Offering in April 2023 was approximately

HKD526.8 million. As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB760.1 million (mainly including cash at banks), as compared to approximately RMB599.3 million as of 31 December 2022.

We currently do not have any hedging policy for foreign currencies in place. However, the Board will remain alert to any relevant risks and, if necessary, consider to hedge any material potential foreign exchange risk.

Banking Facilities

For six months ended 30 June 2023, we did not have any banking borrowings or other interest-bearing borrowings, nor did we have outstanding bank and other borrowings and other debts, save for the lease liabilities for the relevant lease terms amounting to approximately RMB7.6 million in aggregate.

Gearing Ratio

As of 30 June 2023, the gearing ratio, which is calculated by dividing borrowings by total equity, is zero as there was no debt.

Charge on Assets

As at 30 June 2023, we did not pledge any of our assets.

Capital Commitment

As of 30 June 2023, we did not have any significant capital commitment.

Contingent Liabilities

As of 30 June 2023, we did not have any material contingent liabilities.

Employees and Staff Costs

As at 30 June 2023, the Group had a total of 638 full-time employees, all of who are based in Mainland China. In particular, 113 employees are responsible for the Group's management, 229 employees for platform operation and customer services, 61 employees for research and development, 28 employees for general and administration, and 207 employees for sales and marketing.

For the six months ended 30 June 2023, the total staff cost incurred by the Group was approximately RMB88.1 million, as compared to approximately RMB86.4 million for the same period in 2022.

The Group provides orientation and training to new recruits as well as ongoing in-house training for junior employees, which the Group believes can enhance the skills and productivity of its employees. The Group compensates employees with base salaries and performance-based bonuses.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standards of corporate governance, which is essential to the Company's development and protection of the interests of its shareholders. The Company has adopted the relevant code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis for its corporate governance practices.

The Board is of the view that the Company has complied with all the applicable code provisions as set out in the CG Code since the Listing Date and up to 30 June 2023. The Board will continue to review and monitor the corporate governance practices of the Company with the aim of maintaining a high standard of corporate governance.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's employees who, because of his/her office or employment, are likely to possess inside information. Specific enquiries have been made by the Company to all Directors, and the Directors have confirmed that they have complied with the Model Code since the Listing Date and up to 30 June 2023. No incident of non-compliance of the Model Code by the employees was identified by the Company since the Listing Date and up to 30 June 2023.

Purchase, Sale or Redemption of Listed Securities

Since the Listing Date and up to 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Use of Proceeds

The shares (the "**Shares**") of the Company were listed on the Main Board of the Stock Exchange on 27 April 2023 (the "**Listing Date**") at HKD9.10 per share, with net proceeds received by the Company from the global offering of its shares (the "**Global Offering**") in the amount of approximately HKD526.8 million after deducting underwriting commissions and all related expenses. The following table sets forth the Company's use of the proceeds from the Global Offering as at 30 June 2023:

	Approximate % of the total net proceeds	Net proceeds from the Global Offering *HKD'million*
Business expansion	45	237.1
Further technology development	35	184.4
Potential investments and acquisitions or strategic alliance with companies that can generate synergies with our business	15	79.0
Working capital and general corporate purposes	5	26.3
Total	100.0	526.8

The Group has not yet utilised any net proceeds, and will gradually utilise the net proceeds in accordance with the intended purposes and timeline as stated in the prospectus of the Company dated 27 April 2023.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the aforementioned section headed "Use of proceeds" in this announcement, the Group did not have plan for material investments and capital assets as at the date of this announcement.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

REVIEW OF INTERIM RESULTS

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely Ms. Liu Tao, Mr. Yu Mingyang and Mr. Lau Yiu Kwan Stanley. The chairwoman of the Audit Committee is Ms. Liu Tao.

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 with the management of the Company. The Audit Committee considered that the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 are in compliance with the applicable accounting standards, laws and regulations. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and issues in relation to internal control, risk management and financial reporting with the management of the Company.

MATERIAL EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other significant events occurred subsequent to 30 June 2023 and up to the date of this announcement.

PUBLICATION OF INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (https://ir.medsci.cn/zh_cn).

The interim report of the Company for the six months ended 30 June 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the aforementioned websites of the Stock Exchange and the Company in due course.

By Order of the Board
MedSci Healthcare Holdings Limited
梅斯健康控股有限公司
Dr. Zhang Fabao
Chairman of the Board and Executive Director

Hong Kong, 25 August 2023

As at the date of this announcement, the Board comprises Dr. Zhang Fabao, Dr. Li Xinmei, Mr. Fan Jie and Mr. Wang Shuai, as executive Directors; Mr. Hu Xubo and Mr. Yan Shengfeng, as non-executive Directors; and Ms. Liu Tao, Mr. Yu Mingyang and Mr. Lau Yiu Kwan Stanley, as independent non-executive Directors.