Meihao Medical Group Co., Ltd
美 皓 醫 療 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1947)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

	For the six months ended	
	30 June 2023	30 June 2022
	(RMB'000)	*(RMB'000)*
	(unaudited)	(unaudited)
Revenue	**34,985**	57,190
Cost of sales	**(19,517)**	(24,456)
Gross profit	**15,468**	32,734
(Loss)/profit before tax	**(2,751)**	15,423
(Loss)/profit for the period	**(2,120)**	10,873
Adjusted (loss)/profit for the period	**(2,120)**	14,408

Note: Adjusted (loss)/profit for the period refers to (loss)/profit for the period adjusted by adding back listing expenses.

The board (the "**Board**") of directors (the "**Directors**") of Meihao Medical Group Co., Ltd (the "**Company**") is pleased to announce 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.

In this announcement, "we," "us" and "our" refer to the Company and where the context otherwise requires, the Group.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023

	Notes	**2023** **(Unaudited)** ***RMB'000***	2022 (Unaudited) *RMB'000*
REVENUE	*4*	**34,985**	57,190
Cost of sales		**(19,517)**	(24,456)
Gross profit		**15,468**	32,734
Other income and gains		**2,773**	793
Selling expenses		**(9,816)**	(6,022)
Administrative expenses		**(10,122)**	(11,109)
Impairment losses on financial assets, net		**(2)**	27
Other expenses		**(206)**	(13)
Finance costs		**(846)**	(987)
(LOSS)/PROFIT BEFORE TAX	*5*	**(2,751)**	15,423
Income tax credit/(expense)	*6*	**631**	(4,550)
(LOSS)/PROFIT FOR THE PERIOD		**(2,120)**	10,873
Attributable to:			
Owners of the parent		**(2,122)**	10,863
Non-controlling interests		**2**	10
		(2,120)	10,873
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*8*	**RMB(0.35) cents**	RMB2.41 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	2023	2022
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE PERIOD	**(2,120)**	10,873
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	**3,125**	—
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**3,125**	—
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,005**	10,873
Attributable to:		
Owners of the parent	**1,003**	10,863
Non-controlling interests	**2**	10
	1,005	10,873

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

	Notes	**30 June 2023 (Unaudited) *RMB'000***	31 December 2022 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**28,899**	28,076
Right-of-use assets		**33,943**	36,358
Intangible assets		**450**	528
Deferred tax assets		**6,772**	5,205
Prepayments, other receivables and other assets		**3,007**	6,044
Total non-current assets		**73,071**	76,211
CURRENT ASSETS			
Inventories		**2,344**	2,497
Trade receivables	*9*	**1,065**	523
Prepayments, other receivables and other assets		**22,715**	83,958
Cash and cash equivalents		**147,527**	89,529
Total current assets		**173,651**	176,507
CURRENT LIABILITIES			
Trade payables	*10*	**6,672**	5,475
Other payables and accruals		**11,364**	15,787
Contract liabilities		**6,632**	4,203
Lease liabilities		**7,213**	6,898
Tax payable		**6,407**	8,865
Total current liabilities		**38,288**	41,228
NET CURRENT ASSETS		**135,363**	135,279
TOTAL ASSETS LESS CURRENT LIABILITIES		**208,434**	211,490

	30 June 2023 (Unaudited) *RMB'000*	31 December 2022 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**208,434**	211,490
NON-CURRENT LIABILITIES		
Lease liabilities	**25,848**	29,718
Contract liabilities	**3,830**	4,021
Total non-current liabilities	**29,678**	33,739
Net assets	**178,756**	177,751
EQUITY		
Equity attributable to owners of the parent		
Share capital	**5,365**	5,365
Reserves	**173,010**	172,007
	178,375	177,372
Non-controlling interests	**381**	379
Total equity	**178,756**	177,751

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2023

1. BASIS OF PREPARATION

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

(a) Amendments to HKAS 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 HKFRS 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 but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 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 HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 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.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, there was no significant cumulative effect disrecognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. The adoption of amendments to HKAS 12 did not have significant impact on the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss for the year end 31 December 2022. Therefore, retained earnings as at 1 January 2022 and the comparative information was not restated and continues to be reported under unrevised HKAS 12.

(d) Amendments to HKAS 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.

3. OPERATING SEGMENT INFORMATION

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**34,985**	57,190

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of services		
Dental services	**34,985**	57,190
Geographical market		
Mainland China	**34,985**	57,190
Timing of revenue recognition		
Services transferred over time	**34,985**	57,190

5. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit 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 inventories, consumables and customised products	**5,066**	6,892
Impairment of trade receivables, net	**2**	(27)
Listing expenses	**—**	3,535
Foreign exchange differences, net	**(135)**	—

6. INCOME TAX

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

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiary incorporated in the British Virgin Islands are not subject to any income tax in the Cayman Islands or the British Virgin Islands.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on the Group's subsidiary has been provided as there was no assessable profit arising in Hong Kong during the year (2022: Nil).

Except for certain subsidiaries of the Group which were entitled to a preferential income tax rate of 20% for small and micro enterprises during the year with the RMB3.0 million of annual taxable income eligible for 75% reduction, the provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the subsidiaries of Mainland China as determined in accordance with the Corporate Income Tax Law.

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax — Mainland China		
Charge for the period	**936**	5,455
Deferred	**(1,567)**	(905)
Total tax (credit)/charge for the period	**(631)**	4,550

7. DIVIDENDS

The board of the Company has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the (loss)/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 600,000,000 (six months ended 30 June 2022: 450,000,000) in issue during the period, on the assumption that the capitalisation issue had been completed on 1 January 2022.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

The calculations of basic earnings per share are based on:

	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**(2,122)**	10,863

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**600,000,000**	450,000,000

9. TRADE RECEIVABLES

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**1,038**	413
3 to 6 months	**2**	52
6 to 12 months	**15**	40
1 to 2 years	**10**	16
Over 2 years	**—**	2
	1,065	523

10. 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	**4,163**	2,569
3 to 6 months	**538**	1,385
6 to 12 months	**867**	554
Over 1 years	**1,104**	967
	6,672	5,475

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are an established private dental service provider in Wenzhou City (溫州市), Zhejiang Province, PRC ("**Wenzhou**"). We generate our revenue primarily from providing comprehensive dental services to individuals, covering primarily four dental sectors namely, general dentistry (口腔綜合治療科), reparative dentistry (口腔修復科), implant dentistry (種植牙科) and orthodontics and cosmetic dentistry (牙齒正畸科). As at 30 June 2023, we owned and operated a network of five private dental hospitals in Wenzhou, namely Wenzhou Hospital, Lucheng Hospital and Wenzhou Oral Care in Wenzhou City Area, Rui'an Branch Hospital in Rui'an City and Longgang Hospital in Longgang City.

Our business during the Reporting Period was affected by the COVID-19 pandemic. After the nationwide loosening of COVID-19 restrictions, Wenzhou had experienced a temporary outbreak of infected cases. Such outbreak adversely affected our number of visits. As a result, our revenue decreased from RMB57.2 million to RMB35.0 million for the six months ended 30 June 2022 and 2023, respectively.

As the COVID-19 pandemic gradually alleviated, our number of visits has been gradually rebounded. With the diminishing impact of the COVID-19 pandemic on the PRC economy, support of government policies and our well-established reputation and brand, we are full of confidence in the prospects of our future development.

General Dentistry

Our general dentistry sector focuses on the examination, diagnosis, prevention and treatment of disorders of the orofacial region. The key dental services we offered under general dentistry includes (i) teeth filling; and (ii) root canal treatment. The treatments are priced based on the number of tooth subject to the treatment, the spending of each patient will vary significantly with the condition of each patient.

Orthodontics and Cosmetic Dentistry

Our orthodontics and cosmetic dentistry sector focuses on diagnosis, prevention, interception, and correction of misalignment or incorrect relation between the teeth as well as skeletal abnormalities of developing or mature orofacial structures by different types of braces. The key dental services we offered under orthodontics and cosmetic dentistry include teeth orthodontics using (i) standard metal braces or metal wires; (ii) clear braces or ceramic braces; and (iii) transparent dental braces made of intelligent materials.

Reparative Dentistry

Our reparative dentistry sector focuses on restoring the function, integrity and morphology of missing tooth structure. The key dental services we offered under reparative dentistry includes: (i) dental crowns; and (ii) removable dentures. The price for dental crowns and removable dentures are generally related to the respective material and number of tooth subject.

Implant Dentistry

Our implant dentistry sector focuses on surgically placing fixture dental implants in the patient's jawbone as the foundation to replace the damaged or missing tooth with prosthetics.

Number of Total Active Patients by Five Private Dental Hospitals

The number of the Group's total active patients decreased from 39,680 to 30,366 for the six months ended 30 June 2022 and 2023, respectively, representing a decrease of approximately 23.5%. The following table sets forth the breakdown of the number of active patients by the Group's five private dental hospitals:

	For the six months ended	
	30 June 2023	30 June 2022
	No. of active patients	*No. of active patients*
Wenzhou Hospital	**18,908**	23,811
Longgang Hospital	**2,657**	3,654
Lucheng Hospital	**4,896**	7,482
Rui'an Branch Hospital	**1,668**	2,002
Wenzhou Oral Care	**2,237**	2,731
Total	**30,366**	39,680

Revenue by Five Private Dental Hospitals

	For the six months ended			
	30 June 2023		30 June 2022	
	Revenue	**Approx. %**	Revenue	Approx. %
	RMB'000	***%***	*RMB'000*	*%*
Wenzhou Hospital	**22,762**	**65.1**	32,499	56.8
Longgang Hospital	**2,109**	**6.0**	2,722	4.8
Lucheng Hospital	**5,053**	**14.4**	13,040	22.8
Rui'an Branch Hospital	**1,394**	**4.0**	1,401	2.4
Wenzhou Oral Care	**3,667**	**10.5**	7,528	13.2
Total	**34,985**	**100.0**	57,190	100.0

Wenzhou Hospital, which commenced operations in March 2011, contributed the largest share of our revenue during the Reporting Period, representing approximately 65.1% of our total revenue for the six months ended 30 June 2023.

PROSPECTS

The business environment of dental service provider in the first half of 2023 was challenging due to the temporary outbreak of COVID-19 infected cases and the relevant policies on the collective procurement dental implants in the PRC were implemented since late March 2023, which lowered the price of implant services that could be charged by public hospitals. Accordingly, both the number of visits and average spending per visit of our implant dentistry decreased. Although the collective procurement dental implants policy resulted a temporary adverse impact to our implant dentistry service, we believe that offering a more affordable price to the society will promote the public awareness on dental health, therefore benefits the industry penetration in a long run.

With the gradual ease of the impact of COVID-19 pandemic on the society, and the rising public awareness of dental health, the Company is confident that the industry of dental service remains prosperous. Leveraging on our years of experience, well-established reputation and loyalty and trust from our patients, the Company is well positioned, especially with its listing status, to capture the market opportunities to further strengthen our market position and expand our market share in the industry as detailed in the prospectus of the Company dated 30 November 2022 (the "**Prospectus**").

Cementing and extending our business footprints in PRC

Looking forward, the Group aspires to thrive on the growing market of dental service in Wenzhou, and continue with its plan to establish new private dental hospitals in Wenzhou to capture the rising demand in Wenzhou at strategic locations to create synergy with the existing dental hospitals, while looking for strategic potential acquisitions in Zhejiang Provinces. In particular, leveraging on the larger operation scale of Wenzhou Oral Care, the Group's flagship hospital, not only can the Group better serve the population particularly in Wenzhou City Area, it can also further tap into the orthodontics and cosmetic dentistry and implant dentistry markets by offering more comprehensive and advanced dental services in Wenzhou Oral Care. The Group believes it could enhance its presence, thereby strengthening its competitiveness by establishing new dental hospitals in the strategic area of Lucheng District. The Group will continue to penetrate into paediatric dentistry market as it believes that the demand from children patients will continue to be the key driver of growth for the dental service market.

Striving to serve our customers with supreme quality dental services

On the other hand, in this competitive industry, the Group is poised to provide high quality and satisfactory dental experiences to our customers. The Group plans to upgrade its business operational software system to connect the business operational software systems currently operating separately at each of the five dental hospitals, as well as to increase the efficiency and effectiveness of centralised management of the Group's dental hospitals and network maintenance at headquarters level. In addition, the Group plans to expand the children dental department by reallocating the existing resources of Wenzhou Hospital, including the renovation of certain part of the premises of Wenzhou Hospital, as well as to invest in advanced dental devices and introduce new technologies.

Nurturing our valuable assets of dentist talents

The Group believes that dentist talents are important, if not vital, assets to our Company. In 2023, the Group will continue to provide training to its medical staff, while carrying on the plan to establish a dentistry training centre so that it can have a centralised training centre for all of the dental hospitals and have the capacity to host, meeting and conferences for its dentists. Through cultivating our own pool of dentists, we believe that it could distinct the Group from other competitors and provide more professional services to its clients.

FINANCIAL REVIEW

Revenue

During the Reporting Period, our revenue approximated to RMB35.0 million, decreased by approximately 38.8% from the six months ended 30 June 2022. The decrease in revenue was mainly driven by (i) the decrease in number of visits as a result of the increased number of infections due to the complete lifting of COVID-19 pandemic prevention measures and the general downturn in consumer market in the PRC; (ii) the decreased revenue generated from implant dentistry, mainly due to the collective procurement dental implants policy (種植牙集採政策).

Revenue by types of dental services

General Dentistry

Our revenue for general dentistry for the six months ended 30 June 2023 was approximately RMB15.0 million (2022: RMB16.4 million), representing a decrease of approximately 8.5% as compared to the corresponding period in 2022. The decrease was mainly due to the decrease in the number of visits for general dentistry from 29.7 thousand for the six months ended 30 June 2022 to 23.7 thousand for the Reporting Period. Such decrease in the number of visits was mainly due to the increased number of infections during the first quarter of 2023. Revenue generated from general dentistry accounted for approximately 43.0% of our total revenue for the Reporting Period as compared to approximately 28.6% for the six months ended 30 June 2022.

Orthodontics and Cosmetic Dentistry

Our revenue for orthodontics and cosmetic dentistry for the six months ended 30 June 2023 was approximately RMB6.1 million (2022: RMB8.8 million), representing a decrease of approximately 30.7% as compared to the corresponding period in 2022. The decrease was mainly due to the decrease in the number of visits from 5.2 thousand for the six months ended 30 June 2022 to 3.5 thousand for the Reporting Period. Such decrease in the number of visits was mainly due to the increase in the number of infections during the first quarter of 2023. Revenue generated from orthodontics and cosmetic dentistry accounted for approximately 17.6% of our total revenue as compared to approximately 15.4% for the six months ended 30 June 2022.

Reparative Dentistry

Our revenue for reparative dentistry for the six months ended 30 June 2023 was approximately RMB7.2 million (2022: RMB12.0 million), representing a decrease of 40.0% driven as by the decrease in the number of visits. It accounted for approximately 20.5% of our total revenue for the Reporting Period, similar to the six months ended 30 June 2022 of approximately 20.9%.

Implant Dentistry

Our revenue for implant dentistry for the six months ended 30 June 2023 was approximately RMB3.9 million (2022: RMB17.3 million), indicating a decrease of RMB13.4 million or 77.5%. The significant decrease of our revenue of implant dentistry was due to both the number of visits and average spending per visit of our implant dentistry decreased, as a result of (i) the adversed impact of the increased number of infection cases of COVID-19 in the first quarter of 2023 and (ii) the implementation of collective procurement dental implants policy since late March 2023, which lowered the price of implant services that could be charged by public hospitals.

Cost of Sales

Our cost of sales mainly included (i) staff costs; (ii) cost of inventories, consumables and customised products; and (iii) depreciation expenses of property, plant and equipment and right-of-use assets. During the Reporting Period, our cost of sales has decreased by approximately 20.4% to approximately RMB19.5 million (2022: RMB24.5 million). The decrease in our cost of sales had a relatively less significant as compared to the decrease in our revenue, as some of the costs within our cost of sales category are fixed costs.

Gross profit and gross profit margin

During the Reporting Period, our gross profit decreased by approximately 52.6% as compared to the corresponding period in 2022 to approximately RMB15.5 million (2022: approximately RMB32.7 million), mainly driven by the decrease in our revenue of approximately 38.8%. As part of our costs within our cost of sales category are fixed costs, our gross profit margin decreased to approximately 44.2% (2022: 57.2%).

Other income and gains

During the Reporting Period, the other income and gains increased by approximately 250.0% as compared to the corresponding period in 2022 to approximately RMB2.8 million (2022: approximately RMB0.8 million), mainly driven by the increase in bank interest income.

Selling expenses

During the Reporting Period, the selling expenses primarily comprised marketing and promotion expenses, and staff costs. During the Reporting Period, our selling expenses increased by approximately 63.3% as compared to the corresponding period in 2022 to RMB9.8 million (2022: approximately RMB6.0 million), mainly driven by the increase in headcounts of sales and marketing personnel to enhance the Group's marketing efforts.

Administrative expenses

Our administrative expenses decreased by approximately 9.0% or RMB1.0 million as compared to the corresponding period in 2022 to RMB10.1 million for the Reporting Period (2022: RMB11.1 million). The decrease in our administrative expenses was due to a combined effect of (i) the non-recurrence of the listing expenses of approximately RMB3.5 million for the six months ended 30 June 2022; and (ii) the increase in professional fee of approximately RMB1.9 million since our listing on the Main Board of the Stock Exchange in December 2022.

Income tax

During the Reporting Period, we recorded an income tax credit of approximately RMB0.6 million as compared to an income tax expense of RMB4.6 million for the six months ended 30 June 2022, mainly due to the decrease in revenue of our Group and the loss making position of certain subsidiaries for the Reporting Period.

Loss attributable to the owners of the Company

As a result of the foregoing, we recorded a loss attributable to owners of the Company for the Reporting Period of RMB2.1 million as compared to a profit attributable to owners of the Company of RMB10.9 million for the six months ended 30 June 2022.

Prepayments, other receivables and other assets

The current portion of our prepayments, other receivables and other assets decreased by approximately RMB61.3 million, from approximately RMB84.0 million to approximately RMB22.7 million as at 31 December 2022 and 30 June 2023, respectively. The decrease was mainly due to the settlement of IPO proceeds from the global offering of the Company's shares (the "**Global Offering**") of RMB67.1 million in the first quarter of 2023, which remained as receivable from the underwriters of the Global Offering as at 31 December 2022. For details, please refer to the announcement dated 5 May 2023 of the Company.

Liquidity, Financial Resources and Capital Structure

The Group financed its operations primarily through cash generated from the Group's operation and the net proceeds received from the Global Offering. As at 30 June 2023, the Group's net current assets amounted to approximately RMB135.4 million (as at 31 December 2022: RMB135.3 million), and its liquidity as represented by current ratio (total current assets/total current liabilities) was 4.5 times (as at 31 December 2022: 4.3 times). The Group's bank balances amounted to approximately RMB147.5 million (as at 31 December 2022: RMB89.5 million). As at 30 June 2023, the Group had no bank loans (as at 31 December 2022: Nil), and therefore the gearing ratio was not applicable (2022: not applicable). On 14 December 2022, the ordinary shares of the Company were listed on the Main Board of the Stock Exchange by way of Global Offering and completed the share offer of its 150,000,000 ordinary shares, comprising 45,000,000 Hong Kong offer shares and 105,000,000 international placing shares, with a par value of HK$0.01 each at an offer price of HK$0.84 per share. The Company believes that the funding from the Global Offering on the Main Board would allow the Group to continue with its future business development to expanding our dental medical institutions network in the PRC and to gain access to capital market for raising funds in the future.

Pledge of Assets

As at 30 June 2023, the Group did not have any pledged assets (as at 31 December 2022: Nil).

Foreign Currency Exposure

The majority of the Group's revenue is denominated in Renminbi and the Group's accounts are prepared in Renminbi. As such, the Group did not have material exposure to fluctuations in foreign currency rates for cash generated from its operating activities. However, the net proceeds received by the Company for the Global Offering are denominated in Hong Kong dollars and the Company is exposed to fluctuation of exchange rate between Renminbi and Hong Kong dollars. The Group currently does not have any hedging policy for foreign currencies in place. However, the management will remain alert to any relevant risks and, if necessary, consider hedging any material potential foreign exchange risk.

Capital Commitments

As at 30 June 2023, the Group had capital commitments of approximately RMB2.0 million for leasehold improvements and addition of medical equipments (as at 31 December 2022: approximately RMB2.1 million).

Contingent liabilities and guarantees

As at 30 June 2023, the Group had no material contingent liabilities or guarantees (as at 31 December 2022: Nil).

Employees and Remuneration Policies

As at 30 June 2023, the Group had the total number of 310 employees (including executive Directors), all of which were located in the PRC (as at 31 December 2022: 304). Remuneration packages for the Group's employees mainly comprise basic salary and bonus. The Group annually reviews their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. Moreover, the Group provides comprehensive training programs to its employees to enhance the technical skills of medical professionals to further their career development. The Group provides both in-house and external trainings for its employees to improve their skills and knowledge. The Company has also adopted a share option scheme on 8 November 2022 to create incentives to employees and to align their interest with that of the Company. Employee benefit expenses primarily consist of salaries, bonus and allowance as well as contributions to the central pension scheme for the employees of the Group in the PRC. Employee benefits expenses were approximately RMB20.2 million during the Reporting Period (2022: approximately RMB19.0 million), representing an increase of approximately RMB1.2 million as compared to the corresponding period in 2022.

Significant Investments

During the Reporting Period, the Group did not have any significant investments.

Future Plans for Material Investment and Capital Assets

The Group intends to utilise the net proceeds received from the Global Offering for business expansion and working capital in the manner set out in the Prospectus. Save for the aforesaid, the Group did not have any future plans for material investments or capital assets as at 30 June 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

During the Reporting Period, there were no material acquisitions or disposals of subsidiaries, associates or joint ventures of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of other significant events affecting the Company and its subsidiaries which have occurred since the end of the Reporting Period and up to the date of this announcement.

INTERIM DIVIDEND

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining good corporate governance so as to deliver long term and sustained value for the shareholders of the Company (the "**Shareholders**").

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Part 2 of the Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices, and the Corporate Governance Code has been applicable to the Company with effect from 14 December 2022 (the "**Listing Date**").

To the best knowledge of the Directors, save and except the deviation from code provision C.2.1 of Corporate Governance Code as set out below, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code during the Reporting Period.

The Company does not have a separate chairman and chief executive officer and Mr. Wang Xiaomin currently performs these two roles concurrently. The Board believes that vesting the roles of both the chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group for more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority within the Group will not be impaired by the present arrangement and the current structure will enable our Company to make and implement decisions more promptly and effectively. The Board will from time to time review and consider whether separation the roles of chairman of the Board and the chief executive officer of the Company is necessary.

Further information of the corporate governance practices of the Company will be set out in the corporate governance section in the interim report of the Company for the six months ended 30 June 2023.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in the Appendix 10 to the Listing Rules as its code of conduct governing regarding Directors' securities transactions, and the Model Code has been applicable to the Company with effect from the Listing Date.

The provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions have been applicable to the Company since the Listing Date. All Directors have confirmed, following specific enquiry made by the Company, that they have complied with the guidelines contained in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of three independent non-executive Directors, namely Mr. Ng Ming Chee, Ms. Tam Hon Shan Celia, and Dr. Zhou Jian. Mr. Ng Ming Chee is the chairman of the Audit Committee.

The Audit Committee had, together with the management of the Company, reviewed the unaudited consolidated financial information of the Group for the six months ended 30 June 2023 and the accounting principles and policies adopted by the Group.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.meihaomedical.com. The Company's interim report for the six months ended 30 June 2023 will be dispatched to the Shareholders and published on the aforementioned websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees and business partners for their support and contribution to the Group.

By order of the Board
Meihao Medical Group Co., Ltd
Mr. Wang Xiaomin
Chairman and executive Director

Hong Kong, 28 August 2023

As at the date of this announcement, the executive Directors are Mr. Wang Xiaomin and Ms. Zheng Man, and the independent non-executive Directors are Mr. Ng Ming Chee, Ms. Tam Hon Shan Celia and Dr. Zhou Jian.