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## Mediwelcome Healthcare Management & Technology Inc.

### 麥迪衛康健康醫療管理科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2159)

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

The board (the “**Board**”) of directors (the “**Directors**”) of Mediwelcome Healthcare Management & Technology Inc. (麥迪衛康健康醫療管理科技股份有限公司) (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, “**we**”, “**us**”, “**our**” or the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2022 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
<b>Revenue</b>	3	<b>146,923</b>	172,461
Cost of sales		<b>(128,017)</b>	(155,138)
<b>Gross profit</b>		<b>18,906</b>	17,323
Other income, gains and losses, net	4	<b>3,150</b>	2,733
Selling expenses		<b>(11,513)</b>	(9,937)
Administrative expenses		<b>(29,974)</b>	(31,594)
Research and development expenses		<b>(19,594)</b>	(25,813)
Finance costs	5	<b>(752)</b>	(573)
Reversal of impairment losses/ (impairment losses) on trade receivables		<b>1,746</b>	(726)
<b>Loss before taxation</b>	6	<b>(38,031)</b>	(48,587)
Income tax (expense)/credit	7	<b>(14)</b>	350
<b>Loss for the period</b>		<b>(38,045)</b>	(48,237)

		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Notes</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Other comprehensive loss</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value change of equity instruments at fair value through other comprehensive income		<u>(1,608)</u>	<u>(3,631)</u>
<b>Total comprehensive loss for the year</b>		<u><b>(39,653)</b></u>	<u><b>(51,868)</b></u>
<b>Loss for the period attributable to:</b>			
— Owners of the Company		(35,611)	(46,233)
— Non-controlling interests		<u>(2,434)</u>	<u>(2,004)</u>
		<u><b>(38,045)</b></u>	<u><b>(48,237)</b></u>
<b>Total comprehensive loss for the period attributable to:</b>			
— Owners of the Company		(37,219)	(49,864)
— Non-controlling interests		<u>(2,434)</u>	<u>(2,004)</u>
		<u><b>(39,653)</b></u>	<u><b>(51,868)</b></u>
<b>Losses per share:</b>			
— Basic losses per share ( <i>RMB cents</i> )	9	(18.60)	(24.88)
— Diluted losses per share ( <i>RMB cents</i> )	9	<u>(18.60)</u>	<u>(24.46)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	<b>30 June 2023</b>	31 December 2022
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		3,812	4,968
Right-of-use assets		7,078	10,434
Equity instruments at fair value through other comprehensive income		14,263	16,154
Intangible assets		25,691	30,561
Deferred tax assets		1,412	1,407
Prepayments, deposits and other receivables		4,721	3,036
		56,977	66,560
<b>Current assets</b>			
Trade receivables	<i>10</i>	56,323	76,690
Contract costs		20,548	18,032
Tax recoverable		–	814
Prepayments, deposits and other receivables		1,736	1,709
Financial assets at fair value through profit or loss		57,600	15,450
Fixed time deposits		3,688	–
Bank balances and cash		94,523	138,571
		234,418	251,266
<b>Total assets</b>		<b>291,395</b>	<b>317,826</b>

		<b>30 June 2023</b>	31 December 2022
	<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	<i>11</i>	<b>24,880</b>	34,021
Borrowings		<b>24,795</b>	9,089
Contract liabilities		<b>51,473</b>	37,051
Other payables and accruals		<b>14,686</b>	19,009
Lease liabilities		<b>4,566</b>	8,906
		<b>120,400</b>	108,076
<b>Net current assets</b>		<b>114,018</b>	143,190
<b>Total assets less current liabilities</b>		<b>170,995</b>	209,750
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>266</b>	405
Lease liabilities		<b>8,823</b>	8,486
		<b>9,089</b>	8,891
<b>Net assets</b>		<b>161,906</b>	200,859
<b>EQUITY</b>			
<b>Capital and reserves attributable to owners of the Company</b>			
Share capital		<b>1</b>	1
Reserves		<b>158,502</b>	195,021
		<b>158,503</b>	195,022
<b>Non-controlling interests</b>		<b>3,403</b>	5,837
<b>Total equity</b>		<b>161,906</b>	200,859

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 1. BASIS OF PREPARATION

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

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

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

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

## 3. REVENUE AND SEGMENT INFORMATION

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
The Group's loss before taxation	<b>(38,031)</b>	(48,587)
Less: Other income, gains and losses, net	<b>(3,150)</b>	(2,733)
	<u><b>(41,181)</b></u>	<u>(51,320)</u>

Revenue by service type as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Medical conference services	<b>71,592</b>	111,288
Patient education and screening services	<b>2,781</b>	14,323
Marketing strategy and consulting services	<b>58,927</b>	41,287
CRO services	<b>5,908</b>	3,679
Digital marketing and sales solutions services	<b>6,102</b>	–
Internet hospital services	<b>1,613</b>	1,884
	<u><b>146,923</b></u>	<u>172,461</u>
Total revenue	<u><b>146,923</b></u>	<u>172,461</u>

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Timing of revenue recognition		
At a point in time	<b>146,744</b>	172,240
Over time	<b>179</b>	221
	<u><b>146,923</b></u>	<u>172,461</u>
Total revenue	<u><b>146,923</b></u>	<u>172,461</u>

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Customer A	<b>23%</b>	12%
Customer B <i>(Note (a))</i>	<b>11%</b>	N/A
Customer C <i>(Note (b))</i>	<b>N/A</b>	20%

*Notes:*

- (a) The percentage of contribution is not applicable for Customer B as it contributed less than 10% of the total revenue for the six months ended 30 June 2022.
- (b) The percentage of contribution is not applicable for Customer C as it contributed less than 10% of the total revenue for the six months ended 30 June 2023.

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

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Within one year	<b>623,098</b>	387,548

#### **4. OTHER INCOME, GAINS AND LOSSES, NET**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
Foreign exchange gains, net	<b>1,055</b>	1,335
Bank interest income	<b>306</b>	244
Gain on fair value changes of financial assets at fair value through profit or loss (“FVTPL”)	<b>352</b>	353
Government subsidy <i>(Note)</i>	<b>90</b>	–
Value added tax refund	<b>1,261</b>	729
Others	<b>86</b>	72
	<b>3,150</b>	2,733

*Note:* Amount represented subsidy on the Group’s business development without any specific conditions attached to the subsidy. No government subsidy was received during the six months ended 30 June 2022.

## 5. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	339	573
Interest expense on borrowings	257	—
Guarantee fees	156	—
	<u>752</u>	<u>573</u>

## 6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss before taxation has been carried at after charging:		
Auditor's remuneration		
— audit services	—	—
— non-audit services	250	470
Depreciation of property, plant and equipment	1,624	1,657
Depreciation of right-of-use assets	4,515	4,489
Amortisation of intangible assets (included in cost of sales)	5,102	5,031
Staff costs:		
— Fee and salaries (including directors' remuneration)	38,317	32,964
— Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	3,631	3,001
— Social security costs, housing benefits and other employee benefits (including directors' social security costs, housing benefits and other benefits)	6,061	5,768
— Share-based compensation	700	2,959
	<u>48,709</u>	<u>44,692</u>



## 7. INCOME TAX (EXPENSE)/CREDIT

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Under provision of taxation for previous years	—	(76)
	—	(76)
Deferred tax (expense)/credit	<b>(14)</b>	426
	<b>(14)</b>	<b>350</b>

### (a) PRC enterprise income tax (“EIT”)

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

One of the entities comprising the Group was approved to be the High and New Technology Enterprise (“HNTTE”) on 31 October 2018 and renewed the certificate on 17 December 2021, and the entity enjoyed the preferential tax rate of 15% for HNTTE from 2018 to 2024. Another entity comprising the Group was approved to be the HNTTE on 2 December 2019, and the entity enjoyed the preferential tax rate for HNTTE of 15% from 2019 to 2025. The HNTTE certificate needs to be renewed every three years so as to enable to enjoy the reduced tax rate of 15%.

The Group enjoyed additional 100% tax reduction based on the eligible research and development expenses for the six months ended 30 June 2023 (six months ended 30 June 2022: 75%).

For the six months ended 30 June 2023, six (six months ended 30 June 2022: six) of the entities comprising the Group is qualified as small and micro-sized enterprises (SMEs) for tax reduction. SMEs are eligible for 75% reduction at the applicable EIT tax rate of 20% (six months ended 30 June 2022: the first RMB1 million of annual taxable income is eligible for 87.5% reduction at the applicable EIT tax rate of 20%; while the income between RMB1 million and RMB3 million is eligible for 50% reduction at the applicable EIT tax rate of 20%).

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

**(b) PRC withholding tax (“WHT”)**

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

The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as at 30 June 2023 and 2022.

**8. DIVIDEND**

No dividends were paid, declared or proposed during the six months ended 30 June 2023. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

**9. LOSSES PER SHARE**

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Losses attributable to owners of the Company	<u><b>(35,611)</b></u>	<u>(46,233)</u>
Weighted average number of ordinary shares in issue in the basic losses per share calculation ( <i>in thousands</i> )	<b>191,442</b>	185,802
Effect of conversion of unvested restricted share units (“RSUs”) ( <i>in thousands</i> )	<u>N/A</u>	<u>3,181</u>
Weighted average number of ordinary shares in issue in the diluted losses per share calculation ( <i>in thousands</i> )	<u><b>N/A</b></u>	<u>188,983</u>
Losses per share attributable to the owners of the Company		
— Basic losses per share ( <i>RMB cents</i> )	<u><b>(18.60)</b></u>	<u>(24.88)</u>
— Diluted losses per share ( <i>RMB cents</i> )	<u><b>(18.60)</b></u>	<u>(24.46)</u>

The computation of diluted loss per share for the six months ended 30 June 2023 does not assume the issue of the Company’s unvested RSUs as their assumed issue would result in a decrease in loss per share.

## 10. TRADE RECEIVABLES

	<b>30 June 2023</b>	31 December 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	(Audited)
Receivables from third parties	<b>61,355</b>	83,446
Less: allowance for credit losses	<b>(5,032)</b>	(6,756)
	<b><u>56,323</u></b>	<u>76,690</u>

*Note:*

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

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

	<b>30 June 2023</b>	31 December 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	(Audited)
Within 90 days	<b>48,317</b>	72,365
91 days to 180 days	<b>8,006</b>	4,325
181 days to 365 days	–	–
	<b><u>56,323</u></b>	<u>76,690</u>

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

	<b>30 June 2023</b>	31 December 2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	(Audited)
Neither past due nor impaired	<b>48,317</b>	72,365
0–90 days past due	<b>8,006</b>	4,325
Over 90 days past due	–	–
	<b><u>56,323</u></b>	<u>76,690</u>

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

## 11. TRADE PAYABLES

	<b>30 June 2023</b>	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Payables to third parties	<b>24,880</b>	34,021

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

	<b>30 June 2023</b>	31 December 2022
	<i>RMB'000</i>	<i>RMB'000</i>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Up to 90 days	<b>13,924</b>	26,284
91 days to 180 days	<b>3,611</b>	2,799
181 days to 360 days	<b>2,413</b>	1,932
Over 360 days	<b>4,932</b>	3,006
	<b>24,880</b>	34,021

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

In light of the weak recovery of the global economy, the economic situation of the PRC continued to face enormous challenges in the first half of 2023. In particular, due to the impact of the global pandemic, the recovery of the economy in the PRC has been slow, and changes in market demand have become more complex and volatile. However, after the end of the pandemic, we started to see the gradual recovery of offline business and some progress has been made. As such, we were able to continue to consolidate and develop the traditional advantages of the Company, laying a solid foundation for us to achieve even greater success in the digital economy.

Believing that challenges are opportunities, the Group has continued to optimise its business model and strategies to adapt to the rapid changes and development of the market in such a volatile economic environment. Through continuous enhancement of its medical digital marketing capabilities, strengthening of strategic cooperation with a number of domestic and overseas enterprises and organisations, and development of forward-looking digital healthcare projects, the Group has maintained its competitive edge in the industry. We recognise that the digital economy has become a key driving force for innovation and development, so we are not only continuing to build on our existing strengths, but are also actively seeking innovative business models to provide smarter and more convenient healthcare services to our customers.

At the same time, the Group has been exploring the direction of industry development and actively responding to the digital transformation strategy proposed by the PRC government by integrating resources and internal and external strengths. We firmly believe that through digitalisation, the healthcare industry can achieve more efficient, intelligent and sustainable development. As such, we have been actively expanding our partnerships and introducing advanced technologies to create more value for our customers and the market.

Despite the complex market environment and economic challenges, the Group always puts customers' needs first and continues to innovate and improve. We believe that through our unremitting efforts, the Group will be able to continue to maintain its leading position in the industry, provide excellent healthcare services to our customers, and bring more energy and vitality to the market.

In terms of the promotion of the pharmaceutical market and medical services, we have learned valuable experience from the successful endeavours in the treatment fields of cardiovascular and cerebrovascular diseases, respiratory diseases, and diabetes. With the continuous advancement of medical technology and the diversification of patient needs, we have actively expanded our business areas to cover fields including but not limited to oncology, rare diseases, growth hormones, gynaecology. Through in-depth research and development in different fields, we provide doctors and patients with more diversified and precise medical services and information to meet the needs of different patient groups. We firmly believe that through continuous innovation and expansion, we can better serve the medical industry and bring more health and well-being to patients.

The Group remained committed to platform integration in respect of medical digitalization. Based on the self-developed products such as Digital Patient Management, E-Conferences, Live Conferences, programs via the “LOOKE (鹿課)” platform, E Creation (E創), E Insight (E洞察), etc., the Group introduced the artificial intelligence generated content (AIGC) technology since the end of 2022 and integrated it into the Giraffe Smart Medical Platform. Through this strategic initiative, we have successfully built a cluster of doctors covering a wide range of specialties to provide innovative, efficient and high-quality solutions to our clients. Meanwhile, at the end of 2022, we grandly launched the Collaboration Platform for Clinical Scientific Research of Giraffe Medical Research Society to build a solid academic and scientific research system, with an aim to meet the needs of relevant stakeholders of the medical industry in the specialized disease areas, including hospitals, doctors, patients as well as pharmaceutical and medical equipment companies, providing them with precise clinical research and academic practice services. In the first half of 2023, the upgraded versions of these two platforms have effectively promoted the expansion of the doctor user cluster, while expanding the field of specialized disease and attracting input from all parties in the medical industry. It is worth mentioning that at an important industry conference at the end of June 2023, we presented the results of these newly built platforms to doctors in the industry, fully demonstrating the huge potential brought by these platforms.

As at 30 June 2023, the Group’s platforms have enrolled 488,891 registered doctor users, held 54,196 online education sessions with doctors and 26,489 online education sessions for patients, livestreamed 9,659 times, with 17,223 videos available and viewed by 1,638,361 visitors. In addition, 468,836 pieces of academic content were produced, including professional medical and patient education.

The Group has sustained its effort to develop and expand its online healthcare platforms to cater for the increasing needs of various stakeholders in the medical field, including hospitals, doctors, patients as well as pharmaceutical and medical equipment companies. Our online healthcare platform, on top of providing doctors and patients with convenient online medical service by offering consistent and quality online medical service solutions, has also actively developed products and services of digital management for patients with chronic illnesses in the out-of-hospital context. As at 30 June 2023, the number of its registered doctor and patient users reached 49,307 and 263,882, representing an increase of 9.0% and 31.6%, respectively, as compared to those as at 30 June 2022. This achievement demonstrates our proactive efforts to continue to expand in the field of online healthcare and the significant results we have achieved.

## OUTLOOK

### **Plans for the Group's development in the second half of 2023:**

#### *1. Continuous expansion of business scale*

In the second half of 2023, with the upgrade and promotion of the Giraffe Smart Medical Platform and the Collaboration Platform for Clinical Scientific Research of Giraffe Medical Research Society, the popularity of these platforms in the industry will continue to increase. By providing customers with innovative technical support and precise, integrated and efficient digital solutions, our advantages can be reflected in practical applications. Our comprehensive digital platform capabilities allow us to meet the different needs of customers in multiple therapeutic areas through customized platforms. We will provide more accurate, integrated and efficient digital medical and marketing solutions to our customers, and deliver the latest medical technology and knowledge to more target customers.

At the same time, we will continue our efforts to build a digital platform with precise access targeting doctors and patients, providing customers with integrated digital and intelligent solutions to create a closed-loop digital operation synergised by both offline and online channels throughout the process. Our goal is to continuously promote the digital transformation of the medical industry, provide more efficient services, meet customer needs, and achieve continuous expansion of business scale.

#### *2. Innovation and expansion*

In terms of innovation and expansion, in view of the rise of the innovative biopharmaceutical industry in the PRC, the Group will continue to optimize its products and services, and make full use of the favourable healthcare policy environment and its own resource advantages. We will strengthen cooperation with corporate customers such as innovative biological companies, and provide them with strong support en route to commercialization.

This initiative aims to fully seize the opportunity of the rapid rise of the innovative biopharmaceutical industry in the PRC, and provide support for corporate customers to gain an advantage in market competition by providing high-quality products and services. At the same time, we will pay close attention to the changes and development of healthcare policies to ensure that our products and services are aligned with the policy environment to maximize value for our customers. We firmly believe that with such efforts, the Group will continue to make positive contributions to the development of the innovative biopharmaceutical industry while achieving its own business growth and sustainable development.

### *3. Continuous exploration and innovation*

The Group is committed to continuously upgrading the construction of its online healthcare platform and co-operating with renowned internet companies to enhance the Company's internal system in terms of blockchain technology to protect information security and user privacy. At the same time, the Group will continue to explore the innovative out-of-hospital special disease management model, under which health records, online consultation, e-prescription, online drug purchase, care plan, follow-up plan, health education video and graphics and other services are provided to doctors and patients. On top of this basis, the Group will also explore the application of artificial intelligence technology to build a closed-loop business model from inside to outside hospitals.

The Group fully utilizes the industry's superior resources and extensive experience, introduces innovative technologies and smart devices, and empowers the Giraffe Smart Medical Platform and Collaboration Platform for Clinical Scientific Research of Giraffe Medical Research Society. While actively generating profits under its efficient operation, the Group persistently expands and develops its business model and scale to create greater value for more customers, doctors and patients. Through continuous exploration and innovation, the Group will continue to lead the digital transformation and development of the healthcare industry.

In general, in the second half of 2023, the Group will actively embrace the opportunities brought by the rapid growth of medical digitalization and online healthcare demand while continuing to maintain its business scale in traditionally dominant therapeutic fields. Through innovation, the Group has been able to capitalise on these opportunities and make steady progress. While aiming to generate profits under its efficient operation, the Group persistently explores, expands and develops its business model and scale. These efforts will in turn create greater value for more customers, doctors and patients, further consolidating and expanding the influence of the Group.



## FINANCIAL REVIEW

### Revenue

During the Reporting Period, the Group primarily generated revenue from its integrated healthcare marketing solutions, consisting of (i) medical conference services; (ii) patient education and screening services; (iii) marketing strategy and consulting services; (iv) contract research organisation (“CRO”) services; and (v) internet hospital services. In addition, the Group developed and generated revenue from digital marketing and sales solutions services.

The Group’s revenue decreased by approximately 14.8% from approximately RMB172.5 million for the six months ended 30 June 2022 to approximately RMB146.9 million for the Reporting Period. The following table sets forth a breakdown of the Group’s revenue by service type for the periods indicated:

	For the six months ended 30 June			
	2023		2022	
	(RMB’000)		(RMB’000)	
Medical conference services	<b>71,592</b>	<b>48.7%</b>	111,288	64.5%
Marketing strategy and consulting services	<b>58,927</b>	<b>40.1%</b>	41,287	23.9%
Digital marketing and sales solutions services	<b>6,102</b>	<b>4.2%</b>	–	–
CRO services	<b>5,908</b>	<b>4.0%</b>	3,679	2.1%
Patient education and screening services	<b>2,781</b>	<b>1.9%</b>	14,323	8.3%
Internet hospital services	<b>1,613</b>	<b>1.1%</b>	1,884	1.2%
Total	<b><u>146,923</u></b>	<b><u>100.0%</u></b>	<u>172,461</u>	<u>100.0%</u>

#### *Medical Conference Services*

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

Revenue from medical conference services decreased by approximately 35.7% from approximately RMB111.3 million for the six months ended 30 June 2022 to approximately RMB71.6 million for the Reporting Period, primarily attributable to the scaling-down of projects with lower profits margin as part of the Group's business strategy.

#### *Marketing Strategy and Consulting Services*

The Group provides marketing strategy and consulting services to assist pharmaceutical companies in formulating and implementing effective business strategies in enhancing their brands and product awareness among physicians. Revenue from marketing strategy and consulting services increased by approximately 42.7% from approximately RMB41.3 million for the six months ended 30 June 2022 to approximately RMB58.9 million for the Reporting Period due to the recovery of demand for marketing strategy and consulting services and certain projects of the Group that were scheduled to be completed last year have been delayed to the Reporting Period after the prolonged COVID-19 pandemic.

#### *Digital Marketing and Sales Solutions Services*

During the Reporting Period, the Group utilised its own newly developed digital marketing integration platform to assist pharmaceutical companies in formulating and implementing effective digital marketing and sales solutions. The Group provides customised digital marketing solutions based on the different forms and life cycle of customer products in order to reduce marketing costs, improve coverage efficiency, and reach users precisely. Revenue from digital marketing and sales solutions services was approximately RMB6.1 million for the Reporting Period.

#### *Patient Education and Screening Services*

Patient education and screening services of the Group allow patients to administer better self-care and disease control, which will lower the burden on the healthcare system in the long run. Revenue from patient education and screening services decreased by approximately 80.6% from approximately RMB14.3 million for the six months ended 30 June 2022 to approximately RMB2.8 million for the Reporting Period, primarily attributable to the scaling-down of projects with lower profits margin as part of the Group's business strategy.

#### *CRO Services and Internet Hospital Services*

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

Revenue from CRO services increased by approximately 60.6% from approximately RMB3.7 million for the six months ended 30 June 2022 to approximately RMB5.9 million for the Reporting Period due to the recovery of demand for CRO services after the prolonged COVID-19 pandemic.

The Group has developed the mobile platforms, Mediwelcome Doctor+ (麥迪衛康醫加) and Doctor+ for Doctor (醫加醫生端), to provide internet hospital services. Currently, physicians' existing patients can schedule online follow-up consultations, obtain e-prescriptions and purchase medicine through the platform. Revenue from internet hospital services was approximately RMB1.6 million for the Reporting Period, which remained stable as compared to approximately RMB1.9 million for the six months ended 30 June 2022.

### **Cost of sales**

The Group's cost of sales, which mainly represents speaker fees paid to physicians, venue costs and staff costs, decreased by approximately 17.5% from approximately RMB155.1 million for the six months ended 30 June 2022 to approximately RMB128.0 million for the Reporting Period, which was generally in line with the decrease in the Group's revenue.

### **Gross profit and gross profit margin**

As a result of the foregoing, the Group's overall gross profit increased by approximately RMB1.6 million from approximately RMB17.3 million for the six months ended 30 June 2022 to approximately RMB18.9 million for the Reporting Period. The Group's overall gross profit margin slightly increased from 10.0% for the six months ended 30 June 2022 to 12.9% for the Reporting Period, primarily due to the Group's business strategy to concentrate on projects with higher profits margin.

### **Other income, gains and losses**

Other income, gains and losses mainly consist of foreign exchange gains, net, gains on fair value changes of financial assets at fair value through profit or loss ("FVTPL"), government subsidy, bank interest income and value-added tax refund. The Group's other income, gains and losses increased by approximately 15.3% from approximately RMB2.7 million for the six months ended 30 June 2022 to approximately RMB3.2 million for the Reporting Period, primarily attributable to the increase of value added tax refund during the Reporting Period.

## **Selling expenses**

Selling expenses mainly consist of transportation expenses, salaries, share-based compensation expenses, performance bonuses and employee benefits expenses for the sales and marketing and business development expenses. The Group's selling expenses increased by approximately 15.9% from approximately RMB9.9 million for the six months ended 30 June 2022 to approximately RMB11.5 million for the Reporting Period, primarily due to the increase in staff costs caused by increase in proportion of employees with higher income and increase in salaries to retain the talents.

## **Administrative expenses**

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, professional consulting fees, share-based compensation expenses, depreciation and other miscellaneous administrative expenses. The Group's administrative expenses decreased by approximately 5.1% from approximately RMB31.6 million for the six months ended 30 June 2022 to approximately RMB30.0 million for the Reporting Period, primarily due to the decrease in office related expenses as a result of the cost saving strategy of the Group, which was partially net off by the increase in staff cost.

## **Research and development expenses**

The Group's research and development expenses decreased by approximately 24.1% from approximately RMB25.8 million for the six months ended 30 June 2022 to approximately RMB19.6 million for the Reporting Period, mainly due to the reduction in expenses incurred during the Reporting Period in relation to digital marketing solutions, digital medical solutions, and the development of an artificial intelligent online platform, as the research and development of the current version of the platform have reached the final stage.

## **Finance costs**

Finance costs mainly represent the interest expense on lease liabilities. The Group's finance costs had no material change, which amounted to approximately RMB0.6 million for the six months ended 30 June 2022 and approximately RMB0.8 million for the Reporting Period.

## **Income tax expense/(credit)**

The Group recorded income tax expense of approximately RMB14,000 for the Reporting Period as compared with income tax credit of approximately RMB0.4 million for the six months ended 30 June 2022, primarily due to the underprovision for income tax expense for the six months ended 30 June 2022.

### **Loss for the period**

The Group's loss for the period decreased by approximately 21.1% from approximately RMB48.2 million for the six months ended 30 June 2022 to approximately RMB38.0 million for the Reporting Period due to the net effects of (i) the increase in the Group's gross profit by approximately RMB1.6 million as the Group concentrated on projects with higher profits margin; and (ii) the decrease in research and development expenses by approximately RMB6.3 million.

### **Other comprehensive loss**

The Group's other comprehensive loss decreased by approximately 55.7% from approximately RMB3.6 million for the six months ended 30 June 2022 to approximately RMB1.6 million for the Reporting Period, primarily due to the decrease in recognition of unrealised fair value loss on the Group's investment in unlisted equity securities during the Reporting Period.

### **Trade receivables**

Trade receivables represent outstanding amounts due from customers for services that the Group has provided in the ordinary course of business. The Group's trade receivables decreased from approximately RMB76.7 million as at 31 December 2022 to approximately RMB56.3 million as at 30 June 2023 due to the significant decrease in the Group's sales as a result of the scaling-down of projects with lower profits margin as part of the Group's business strategy.

### **Trade payables**

Trade payables mainly represent the balances due to suppliers for the procurement of goods and services used for the Group's service offerings, such as travel and lodging services, presentation materials, venue set-up, rental services and video production services. The Group's trade payables decreased from approximately RMB34.0 million as at 31 December 2022 to approximately RMB24.9 million as at 30 June 2023, which was generally in line with the decrease in the Group's revenue.

## FVTPL

The Group's financial assets at FVTPL mainly represent financial products that the Group purchased. These financial products were primarily low risk structured deposit from reputable PRC commercial banks, the principal of which was invested in low risk debt instruments, while the interest was invested in derivatives market. The financial products the Group held as at 30 June 2023 had an expected rate of return ranging from 2.2% to 4.2% per annum depending on the returns of the derivatives.

As at 30 June 2023, the fair value of the Group's financial assets at FVTPL was approximately RMB57.6 million, details of which are summarised below:

Issuer	Name of wealth management products	Fair value	Size as compared to the Company's total assets
		as at 30 June 2023 RMB'000	as at 30 June 2023
China Guangfa Bank Co., Ltd.	Xingfulicai (“幸福理財”系列人民幣理財計劃)	12,000	4.1%
BoB Wealth Management Co., Ltd.	Jihua Yuanjian (京華遠見固收)	12,000	4.1%
CMB Wealth Management Co., Ltd.	Zhaorui 3 (招睿3號理財)	11,400	3.9%
China CITIC Bank	Riyingxiang Tiantianli 1-C (日盈象天天利1號C款)	8,000	2.7%
Boc Wealth Management Co., Ltd.	Wenfu Zhouzhoukai (穩富週週開)	5,000	1.7%
China Zheshang Bank Co., Ltd.	Yongle 3 (永樂3號理財)	5,000	1.7%
Everbright Wealth Management Co., Ltd.	CEB Cash A (光銀現金A)	4,000	1.4%
China Merchants Bank Co., Ltd.	Ririxin 80008 (日日鑫80008號)	200	0.1%

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

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

### **Treasury policy**

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

### **Net current assets**

As at 30 June 2023, the Group had net current assets of approximately RMB114.0 million, as compared with net current assets of approximately RMB143.2 million as at 31 December 2022.

### **Bank balances and cash**

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

As at 30 June 2023, the Group had bank balances and cash of approximately RMB94.5 million, representing a decrease of approximately 31.8% from approximately RMB138.6 million as at 31 December 2022. The Group's bank balances and cash were denominated in Renminbi and Hong Kong dollars. The Group's principal sources of liquidity and capital resources are cash from operating activities. The Group monitors cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity that can meet its working capital needs while supporting a healthy level of business scale and expansion.

### **Indebtedness**

The Group's indebtedness represents lease liabilities and bank borrowings. As at 30 June 2023, the Group, as a lessee, had outstanding current and non-current lease liabilities of approximately RMB13.4 million as compared with approximately RMB17.4 million as at 31 December 2022. The lease liabilities represent payment for the right to use underlying assets, which was unsecured and unguaranteed.

As at 30 June 2023, the Group had outstanding bank borrowings of approximately RMB24.8 million (31 December 2022: RMB9.1 million), which was unsecured, unguaranteed and repayable within 12 months. All borrowings are charged with reference to the floating interest rate of Loan Prime Rate of the PRC and denominated in Renminbi.

As at 30 June 2023, the Group had available unutilised banking facilities of approximately RMB17.1 million (31 December 2022: RMB22.9 million).

The Group's gearing ratio (calculated as total bank and other borrowings divided by total equity) as at 30 June 2023 was 15.3% (31 December 2022: 4.5%).

### **Capital expenditures**

Capital expenditures of the Group decreased to approximately RMB364,000 for the Reporting Period as compared with approximately RMB484,000 for the six months ended 30 June 2022. These capital expenditures were related to purchases of property, plant and equipment. The Group is expected to incur expenses to develop computer and mobile software and platforms for its internet hospital services which may be capitalised. These expenses will be financed by the net proceeds from the Global Offering (as defined in the prospectus of Company dated 31 December 2020, the "**Prospectus**") in the manner consistent with that as mentioned in the section headed "Future Plans and Use of Proceeds" in the Prospectus and cash flow from operating activities.

### **Capital structure**

There has been no change in the capital structure of the Company since the listing (the "**Listing**") of the Company's ordinary shares (the "**Share(s)**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 30 June 2023, the total number of issued Shares was 200,000,000.

### **Foreign exchange risk**

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

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



## **Contingent liabilities**

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: nil).

## **Pledge of assets**

As at 30 June 2023, the Group did not pledge any of its assets (31 December 2022: nil).

## **Human resources**

As at 30 June 2023, the Group had 419 employees (30 June 2022: 427 employees). For the Reporting Period, the staff cost recognised as expenses of the Group amounted to approximately RMB48.7 million, representing an increase of approximately 9.0% from approximately RMB44.7 million for the six months ended 30 June 2022. The increase was mainly attributable to the increase in proportion of employees with higher income and increase in salaries to retain the talents.

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

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

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

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

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Save as disclosed in the Prospectus, the Group had no other future plans for material investments or capital assets as at 30 June 2023.

## **EVENTS AFTER REPORTING PERIOD**

There were no significant events after 30 June 2023 and up to date of this announcement.

## **FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES**

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

## **FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES**

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

## **AUDIT COMMITTEE**

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

The Audit Committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2023. The Audit Committee and the Company’s management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

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

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

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

## **DIVIDEND**

The Board resolved not to declare the payment of any interim dividend in respect of the six months ended 30 June 2023 (2022: Nil).

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.mediwelcome.com](http://www.mediwelcome.com)). 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 of the Company and made available for review on the same websites in due course.

By order of the Board  
**Mediwelcome Healthcare Management & Technology Inc.**  
**Shi Wei**  
*Chairman and Executive Director*

Hong Kong, 30 August 2023

*As at the date of this announcement, the executive Directors are Mr. Shi Wei, Mr. Yang Weimin, Mr. Wang Liang, Mr. Wang Wei and Mr. Sui Huijun; the non-executive Directors are Ms. Zhang Yitao and Mr. Liu Xia; and the independent non-executive Directors are Mr. Song Ruilin, Mr. Fei John Xiang, Mr. David Zheng Wang and Mr. Yang Xiaoxi.*