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思 派 健 康 科 技

Sipai Health Technology Co., Ltd.

思派健康科技有限公司

(A company incorporated in the Cayman Islands with limited liability)

(Stock Code: 0314)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the Reporting Period. The contents of this interim results announcement have been prepared in accordance with the applicable disclosure requirements for a preliminary announcement of interim results under the Listing Rules, which have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”) and have been reviewed by Ernst & Young, the Company’s auditor. These interim results have also been reviewed and confirmed by the Board and the Audit Committee. Unless otherwise stated, the financial data of the Company are presented in RMB.

2024 FIRST HALF HIGHLIGHTS

During the first half of 2024, the Company continued to focus on achieving organic growth and improving operational efficiency in its core businesses, while maintaining ongoing investment in overall digitalization and synergy development. We successfully achieved sustained growth as we remained steadfast in our development strategy and adapted to the environment quickly.

Below are the highlights and major achievement we made during the Reporting Period:

- **Strategic streamlining of medication distribution business to focus efforts on core business.** Starting from the second half of 2023, the management decided to streamline the medication distribution business under the business line of Specialty Pharmacy Business. The management no longer considered such business to be in line with the Company's long-term development strategies designed based on the "health insurance plus healthcare management" model. Such initiative has enabled us to focus efforts further on optimizing the core business with enhanced working capital efficiency. As a result, revenue generated from medication distribution business during the Reporting Period declined by approximately 69.6% to approximately RMB83.9 million, accounting for only approximately 3.5% of the Group's consolidated revenue generated during the Reporting Period. The core business of the Company, namely Specialty Pharmacy Business (excluding medication distribution business), Physician Research Assistance Business and Health Insurance Services Business generated revenue of approximately RMB2,280.0 million, representing an increase of approximately 5.5%.
- **Vigorous growth achieved in Enterprise Health Insurance Business fueled by the synergy developed through the "Dual-Drivers" model.** As of June 30, 2024, more than 933,000 individual members were insured under Enterprise Health Insurance. Revenue generated from Enterprise Health Insurance increased by approximately 43.6% during the first half of 2024 in spite of the macroeconomic headwind, with the growth momentum seen to continue into the second half of 2024. Such results reconfirm our unique competitive edge in terms of the integrated healthcare management capabilities supported by our robust health service provider network together with the Specialty Pharmacy Business.
- **Further narrowing down the loss for the Reporting Period and one step closer to a profit-making business.** The adjusted loss for the Reporting Period, which calculated as the IFRS loss for the period excluding the impact from share-based payment compensation and non-recurring government grant, narrowed by approximately 47.4% to approximately RMB29.7 million, mainly due to (i) the organic growth in the overall business of the Group; and (ii) the efficiency improvement activities carried out in respect of the Group and business lines, such as digital transformation in operations and organizational optimization, which effectively decreased the sales and administrative expenses.

FINANCIAL SUMMARY

	For the six months ended June 30, 2024 <i>RMB'000</i> (Unaudited)	For the six months ended June 30, 2023 <i>RMB'000</i> (Unaudited)	Period- on-period Change
Revenue	2,363,780	2,437,956	-3.0%
Specialty Pharmacy Business	2,066,761	2,158,757	-4.3%
– <i>Specialty Pharmacy</i>	1,982,898	1,882,567	5.3%
– <i>Medication distribution</i>	83,863	276,190	-69.6%
Physician Research Assistance Business	187,371	170,506	9.9%
Health Insurance Services Business	109,648	108,693	0.9%
– <i>Huimin Insurance</i>	70,808	81,648	-13.3%
– <i>Enterprise Health Insurance</i>	38,840	27,045	43.6%
Gross Profit	228,931	218,090	5.0%
Specialty Pharmacy Business	93,665	97,585	-4.0%
Physician Research Assistance Business	57,665	47,408	21.6%
Health Insurance Services Business	77,601	73,097	6.2%
Selling and Marketing Expenses¹	135,219	150,969	-10.4%
As a percentage of revenue	5.7%	6.2%	
Administrative Expenses¹	119,327	123,986	-3.8%
As a percentage of revenue	5.0%	5.1%	
Research and Development Expenses¹	14,315	22,220	-35.6%
As a percentage of revenue	0.6%	0.9%	
Non-IFRS Loss²	(28,794)	(33,189)	-13.2%
Adjusted Loss²	(29,694)	(56,413)	-47.4%
IFRS Loss	(74,651)	(87,307)	-14.5%
Cash and Selected Financial Assets³	1,338,734	1,492,344	-10.3%

Notes:

1. Items (non-IFRS measure) exclude share-based payment compensation.
2. Non-IFRS loss is calculated as IFRS Loss excluding share-based payment compensation. Adjusted loss is calculated as Non-IFRS loss excluding non-recurring government grant. We do not consider these items will affect our ongoing operating performance. For details, please refer to the subsection headed "Non-IFRS Measures" in this interim results announcement.
3. Cash and selected financial assets include cash and cash equivalents, time deposits over three months, pledged deposits, and financial assets at fair value through profit or loss (“FVTPL”) in financial statement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We connect and deliver clear values to stakeholders across China’s healthcare system including patients, doctors, medical institutions, pharmaceutical companies and payers through our robust technology platform and data-enabled operational capabilities. We currently run three business lines, including specialty pharmacy business (the “**Specialty Pharmacy Business**”), physician research assistance (the “**Physician Research Assistance**”), and health insurance services (the “**Health Insurance Services**”). Through the organic development of the three businesses, we have initially established a "dual-drivers" system of “health insurance plus healthcare management”.

Our Services

Specialty Pharmacy Business

Our Specialty Pharmacy Business line consists of specialty pharmacies and professional pharmacist services, focusing on specialty medicines for the treatment of oncology and other critical diseases. We also built up the first and only nationwide specialty medicine management platform, providing follow-up assessment service under a unified system, differentiating us from our peers.

As of June 30, 2024, the Company operated 92 specialty pharmacies in 66 cities across 27 provincial administrative regions in Mainland China. We provide a wide selection of specialty medicines, including innovative drugs newly introduced to the market. Our professional pharmacist services ensure patients to have better medication adherence and treatment efficacy. Collaborating with the payer side, our specialty pharmacies also provide direct billing to social medical insurance and major insurance carriers, offering additional payment solutions to patients. Among the 92 speciality pharmacies, 85 are designated pharmacies for social medical insurance (國家醫保), and 56 have obtained the social medical insurance “dual-channel” qualification for major diseases (大病醫保雙通道資質).

Physician Research Assistance

Under Physician Research Assistance business line, we mainly engage in SMO business to support pharmaceutical companies in their drug research and development process from phase I to phase IV clinical trials with our extensive experience and expertise in oncology drug clinical trials. Notably, we have achieved 100% coverage of 27 provincial specialized oncology hospitals and five national cancer treatment centers. As of June 30, 2024, we had completed 733 SMO projects, and 840 SMO projects were ongoing. We proudly serve all top ten public pharmaceutical companies in China that engage in research and development of innovative drugs. During the Reporting Period, we achieved a 100% client retention rate with respect to our top ten SMO clients. Over 95% of our SMO clients engage in research and development of oncology drugs and typically contract our services for three to five years.

During first half of 2024, by leveraging the extensive experience gained through oncology SMO project, we actively extended our presence into non-oncology segment. As of June 30, 2024, non-oncology SMO projects accounted for around 20% of the new projects engaged during the Reporting Period.

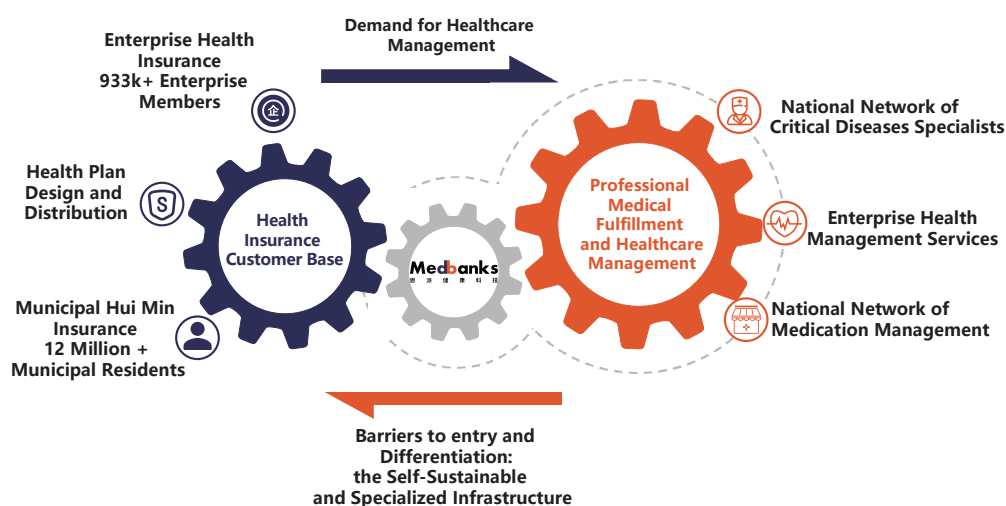
Health Insurance Services

Under Health Insurance Services business line, we offer solutions of health plans mainly in two categories, namely Hui Min insurance (“**Hui Min Insurance**”) and enterprise health insurance (“**Enterprise Health Insurance**”). Hui Min Insurance serves as a supplement to the national basic medical insurance, offering additional coverage for critical diseases, medical services, and specialty medicines at a price affordable to the general population. Enterprise Health Insurance provides a more comprehensive and advanced protection to employers and their employee, offering flexible and quality healthcare management and chronic disease treatment services.

What differentiate us from industry peers who are also offering health insurances are our healthcare management capabilities integrated in the health insurance offerings, particularly in Enterprise Health Insurance business. Our robust healthcare service provider network, together with the Specialty Pharmacy Business, provide our members with high quality health management services such as preventive care, GP service, specialist referral, online hospital and overseas healthcare network. Leveraging data insights and actuarial capabilities, we have co-developed differentiated health insurance plans with major insurance carriers at competitive prices.

Preliminary formulation of “dual-drivers” model

Through the organic development of our businesses, we have initially established a “dual-drivers” system of “health insurance plus healthcare management”. The system on one hand, improves the design of health insurance products to attract larger customer base, and on the other hand, provides professional consulting and services to help enterprises, employees and insurance payers better manage their healthcare expenditures and more proactively participate in preventive care and value-based care.



Note: The above operating data is as of June 30, 2024

FINANCIAL REVIEW

The following discussion is based on, and should be read in conjunction with, the financial information and the notes included elsewhere in this interim results announcement.

Revenue

During the Reporting Period, the Group’s revenue was primarily generated from our Specialty Pharmacy Business, Physician Research Assistance, and Health Insurance Services. The following table sets forth a breakdown of our revenue by segments and period-on-period change:

Revenue	For the six months ended June 30, 2024 (Unaudited) RMB'000	For the six months ended June 30, 2023 (Unaudited) RMB'000	Period-on-period Change RMB'000	Period-on-period Change
Specialty Pharmacy Business	2,066,761	2,158,757	-91,996	-4.3%
Physician Research Assistance Business	187,371	170,506	16,865	9.9%
Health Insurance Services Business	109,648	108,693	955	0.9%
Total	<u>2,363,780</u>	<u>2,437,956</u>	<u>-74,176</u>	<u>-3.0%</u>

Revenue generated from our Specialty Pharmacy Business decreased by approximately 4.3% from approximately RMB2,158.76 million for the six months ended June 30, 2023 to approximately RMB2,066.76 million for the six months ended June 30, 2024, which was mainly attributable to the strategic streamlining of medication distribution business.

Revenue generated from Physician Research Assistance business increased by approximately 9.9% from approximately RMB170.51 million for the six months ended June 30, 2023 to approximately RMB187.37 million for the six months ended June 30, 2024, mainly due to the growing market demand.

Revenue generated from Health Insurance Services business increased by approximately 0.9% from approximately RMB108.69 million for the six months ended June 30, 2023 to approximately RMB109.65 million for the six months ended June 30, 2024. Meanwhile, revenue generated from Enterprise Health Insurance upsoared by approximately 43.6% to approximately RMB38.8 million for the six months ended June 30, 2024, mainly attributable to the vigorous growth in the number of customers and members insured thanks to our competitive edge in healthcare management capabilities and successful implementation of business development plans.

Cost of Sales

	For the six months ended June 30, 2024 (Unaudited) RMB'000	For the six months ended June 30, 2023 (Unaudited) RMB'000	Period- on-period Change RMB'000	Period- on-period Change
Cost of sales				
Specialty Pharmacy Business	1,973,096	2,061,172	-88,076	-4.3%
Physician Research Assistance Business	129,706	123,098	6,608	5.4%
Health Insurance Services Business	32,047	35,596	-3,549	-10.0%
Total	<u>2,134,849</u>	<u>2,219,866</u>	<u>-85,017</u>	<u>-3.8%</u>

During the Reporting Period, the Group's cost of sales decreased by approximately 3.8% from approximately RMB2,219.87 million for the six months ended June 30, 2023 to approximately RMB2,134.85 million for the six months ended June 30, 2024, primarily due to the decrease in procurement cost for medicines relating to the streamlined medication distribution business.

Gross Profit and Gross Margin

	For the six months ended June 30, 2024 (Unaudited)			For the six months ended June 30, 2023 (Unaudited)			Period- on-period Change	Period- on-period Change
	Gross Profit <i>RMB'000</i>	Gross Margin Percentage of gross profit		Gross Profit <i>RMB'000</i>	Gross Margin Percentage of gross profit		<i>RMB'000</i>	
Gross Profit and Gross Margin								
Specialty Pharmacy Business	93,665	4.5%	40.9%	97,585	4.5%	44.8%	-3,920	-4.0%
Physician Research Assistance Business	57,665	30.8%	25.2%	47,408	27.8%	21.7%	10,257	21.6%
Health Insurance Services Business	77,601	70.8%	33.9%	73,097	67.3%	33.5%	4,504	6.2%
Total	<u>228,931</u>	<u>9.7%</u>	<u>100.0%</u>	<u>218,090</u>	<u>8.9%</u>	<u>100.0%</u>	<u>10,841</u>	<u>5.0%</u>

During the Reporting Period, the Group's total gross profit was approximately RMB228.93 million, representing a period-on-period increase of approximately 5.0%, which was primarily due to the remarkable increase of approximately 21.6% in the gross profit of Physician Research Assistance business. Total gross margin increased by approximately 0.8 percentage point to approximately 9.7% for the Reporting Period.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of staff costs, marketing and promotion fees, depreciation and amortization expenses, travel and business related expense and others.

During the Reporting Period, selling and marketing expenses decreased by approximately 9.4% to approximately RMB137.82 million, mainly resulting from the efficiency improvement initiatives related to Specialty Pharmacy Business and Health Insurance Services business.

Administrative Expenses

Administrative expenses primarily consist of staff costs, consulting and service fees, travel and business related expense, depreciation and amortization expenses and others.

During the Reporting Period, administrative expenses decreased by approximately 7.7% to approximately RMB161.89 million, mainly resulting from the organizational optimization and improvement of the administrative efficiency.

Research and Development Expenses

During the Reporting Period, the Group's research and development expenses decreased significantly by approximately 37.1% to approximately RMB15.01 million as compared to the corresponding period in 2023, mainly due to the corresponding reduction in research and development expenditure as the upfront research and development investment has been paid off.

Income Tax

During the Reporting Period, we had income tax credit of approximately RMB0.5 million while we incurred income tax expense of RMB0.6 million for the corresponding period in 2023. For details of income tax calculation, please refer to "Note 7 Income Tax" of the condensed consolidated financial statements on page 24 of this interim results announcement.

Non-IFRS Measures

To supplement our interim condensed consolidated financial statements, which are presented in accordance with IFRSs, we also use non-IFRS loss as an additional financial measure, which is not required by, or presented in accordance with IFRSs. We believe non-IFRS loss facilitates comparisons of company to company by eliminating potential impacts of items.

We believe non-IFRS loss provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as non-IFRS loss helps our management. However, our presentation of non-IFRS loss may not be comparable to similarly titled measures presented by other companies. The use of non-IFRS loss has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRSs.

We define non-IFRS loss for the period as loss for the period excluding share-based payment compensation.

The following table reconciles our non-IFRS loss for the period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs, which is loss for the period indicated:

	For the six months ended June 30, 2024 (Unaudited) RMB'000	For the six months ended June 30, 2023 (Unaudited) RMB'000
Reconciliation of loss to non-IFRS loss:		
Loss for the period	(74,651)	(87,307)
Share-based payment compensation	<u>45,857</u>	<u>54,118</u>
Non-IFRS loss for the period	<u><u>(28,794)</u></u>	<u><u>(33,189)</u></u>

Capital Management

During the Reporting Period, we primarily funded our working capital requirements through capital contributions from our Shareholders including net proceeds from the Global Offering. We monitor and maintain a level of cash and cash equivalents deemed adequate to finance our operations and mitigate the effects of fluctuations in cash flows. For the six months ended June 30, 2024, our net cash outflows used in operating activities was approximately RMB1.28 million.

Liquidity, Financial Resources and Gearing Ratio

As of June 30, 2024, we recorded net current assets of approximately RMB1,120 million. As at June 30, 2024, the gearing ratio, calculated as total liabilities over total assets, was approximately 48.2%, as compared with approximately 42.1% as at December 31, 2023.

As our business develops and expands, we expect to generate net cash flows from our operating activities, through the sales revenue of our future commercialized products. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of our cash and cash equivalents and net proceeds from the Global Offering. As of June 30, 2024, our cash and cash equivalents amounted to approximately RMB279.38 million, together with time deposits over three months, pledged deposits and wealth management products, monetary fund and structured deposits which are presented in financial assets at fair value through profit or loss (“FVTPL”) amounted to approximately RMB1,338.73 million in total.

The Group did not have any bank loans or other borrowings as at June 30, 2024 (as at December 31, 2023: RMB2 million).

Significant Investments, Material Acquisitions and Disposals

Subscription of Wealth Management Products from China Construction Bank

Sipai Healthcare Investment Co., Ltd. (思派健康產業投資有限公司) (“**Sipai Healthcare Investment**”), a wholly-owned subsidiary of the Company, subscribed for a wealth management product with a principle amount of RMB180 million from China Construction Bank on October 7, 2023 for treasury management purpose, and the aforesaid wealth management product subscribed from China Construction Bank with a principal amount of RMB180 million had been redeemed as of the date of this interim results announcement. Sipai Healthcare Investment further subscribed for two wealth management products each with a principle amount of RMB100 million from China Construction Bank on April 16, 2024 and April 24, 2024 respectively, for treasury management purpose.

As of June 30, 2024, the Group had wealth management products from the China Construction Bank with a fair value of approximately RMB200.9 million, which accounted for approximately 6.9% of the total assets of the Group. The fair value gain from such wealth management products during the Reporting Period was approximately RMB0.94 million. As of June 30, 2024, the aggregate outstanding principal amount of the wealth management products subscribed from China Construction Bank was RMB200 million.

Subsequently on July 2, 2024, Bixun (Guangdong) Medical Technology Co., Ltd. (比遜(廣東)醫療科技有限公司), a wholly-owned subsidiary of the Company subscribed for a wealth management product with a principle amount of RMB100 million from China Construction Bank for treasury management purpose. As of the date of this interim results announcement, the aggregate outstanding principal amount of the wealth management products subscribed from China Construction Bank was RMB300 million.

Subscription of Wealth Management Products from The Hongkong and Shanghai Banking Corporation (“HSBC”)

As at June 30, 2024, the Group held wealth management products from HSBC with a fair value of approximately RMB47.9 million, which accounted for approximately 1.6% of the total assets of the Group. The fair value gain from such wealth management products during the Reporting Period was approximately RMB4.4 million. As at June 30, 2024, the outstanding principal amount of the wealth management products subscribed from HSBC was US\$6.1 million.

For details of the above subscription of wealth management products, please refer to the announcements of the Company dated September 28, 2023, October 8, 2023, April 24, 2024 and July 2, 2024.

Save as disclosed above, during the Reporting Period and up to the date of this interim results announcement, there were no significant investments, and material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group.

Capital Expenditure

Our principal capital expenditures relate primarily to the purchase of office equipment, softwares as well as leasehold improvements. The following table sets forth our capital expenditures for the periods indicated:

	For the six months ended June 30, 2024 RMB'000 (Unaudited)	For the six months ended June 30, 2023 RMB'000 (Unaudited)
Purchases of property, plant and equipment	(6,625)	(3,229)
Purchases of other intangible assets	(2,185)	(388)
Total	<u>(8,810)</u>	<u>(3,617)</u>

Currency Risk

During the Reporting Period, the Group mainly operated in China and a majority of its transactions were settled in RMB, the functional currency of the Company's primary subsidiaries. The Group is exposed to foreign currency risk as a result of certain cash and bank balances denominated in non-functional currency. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Pledge of Assets

The pledged deposits of the Group decreased from approximately RMB147.12 million as of December 31, 2023 to approximately RMB147.10 million as of June 30, 2024.

Contingent Liabilities

The Group had no material contingent liabilities as at June 30, 2024.

Employees and Remuneration Policies

As of June 30, 2024, we had 3,250 employees in total. Most of them are stationed in China. We recruit our employees based on a number of factors, including work experience, educational background and the requirements of a relevant vacancy. We assess our employees based on their performance to determine their salary, promotion and career development.

We enter into standard employment agreements and confidentiality agreements or clauses with all of our employees. We also enter into non-compete agreements with our senior management and core personnel. These agreements include a standard non-compete covenant that prohibits such employee from competing with us, directly or indirectly, during his or her employment and for a certain period after termination of his or her employment. We maintain a good working relationship with our employees, and we have not experienced any material labor disputes.

We are committed to establishing a competitive and fair remuneration. In order to effectively motivate our employees, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluation for our employees at least once a year to provide feedback on their performance. Compensation for our employees typically consists of base salary and a performance-based bonus.

Future Investment Plans and Expected Funding

As of June 30, 2024, we did not have other plans for material investments and capital assets.

SUBSEQUENT EVENTS AFTER THE REPORTING PERIOD

On July 2, 2024, Bixun (Guangdong) Medical Technology Co., Ltd. (比遜(廣東)醫療科技有限公司), a wholly-owned subsidiary of the Company, subscribed for a wealth management product with a principle amount of RMB100 million from China Construction Bank. For details, please refer to the “Significant Investments, Material Acquisitions and Disposals” section of this interim results announcement and the announcement of the Company dated July 2, 2024.

Save as disclosed above, as at the date of this interim results announcement, the Group has no significant events occurred after the Reporting Period that require additional disclosure or adjustments.

USE OF NET PROCEEDS FROM LISTING

The Shares of the Company commenced Listing on the Main Board of the Stock Exchange on December 23, 2022 by way of Global Offering, and the total net proceeds (the “**Net Proceeds**”) received by the Company from the Global Offering amounted to approximately HK\$120.4 million after deducting professional fees, underwriting commissions and other related Listing expenses.

The intended uses and the balance of the Net Proceeds as at June 30, 2024 are set out below:

Intended use of proceeds as stated in the Prospectus	Percentage to total amount %	Net proceeds HK\$'000	Utilized amount during the Reporting Period HK\$'000	Utilized amount as at June 30, 2024 HK\$'000	Unutilized amount as at June 30, 2024 HK\$'000	Expected timeline for unutilized amount
(a) Business expansion:	87	104,800	49,065	91,004	13,796	2024
(i) Further expansion of Specialty Pharmacy Business	35	42,200	22,598	38,411	3,789	2024
(ii) Further expansion of Physician Research Assistance Business	28	33,700	12,457	27,579	6,121	2024
(iii) Further expansion of Health Insurance Services Business	24	28,900	14,010	25,014	3,886	2024
(b) Technology research and development	13	15,600	7,542	11,909	3,691	2024
(i) Improvement of the capability of system/application development team	10	12,000	4,878	8,309	3,691	2024
(ii) Further investment in research and development of improving our technology infrastructure and new solutions	3	3,600	2,664	3,600	–	N/A

The Group will utilize the Net Proceeds in accordance with the intended purposes as set out in the Prospectus. The Board is not aware of any material change to the planned use of the Net Proceeds as at the date of this interim results announcement.

DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2024.

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

For the six months ended June 30, 2024

	Notes	2024 (Unaudited) RMB'000	2023 (Unaudited) RMB'000
REVENUE	5	2,363,780	2,437,956
Cost of sales		<u>(2,134,849)</u>	<u>(2,219,866)</u>
Gross profit		228,931	218,090
Other income and gains		19,033	52,303
Selling and marketing expenses		(137,816)	(152,050)
Administrative expenses		(161,889)	(175,380)
Research and development expenses		(15,013)	(23,863)
Impairment losses on financial assets and contract assets under expected credit loss model ("ECL"), net		(3,291)	(1,829)
Other expenses		(3,406)	(2,145)
Finance costs		(1,551)	(1,824)
Share of profits and losses of an associate		<u>(157)</u>	<u>—</u>
LOSS BEFORE TAX	6	(75,159)	(86,698)
Income tax credit/(expense)	7	<u>508</u>	<u>(609)</u>
LOSS FOR THE PERIOD		<u>(74,651)</u>	<u>(87,307)</u>
Attributable to:			
Owners of the parent		(78,202)	(92,321)
Non-controlling interests		<u>3,551</u>	<u>5,014</u>
		<u>(74,651)</u>	<u>(87,307)</u>

		2024	2023
	Notes	(Unaudited) RMB'000	(Unaudited) RMB'000
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		2	(117)
Items that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company		<u>338</u>	<u>11,444</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		<u>340</u>	<u>11,327</u>
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD		<u>(74,311)</u>	<u>(75,980)</u>
Attributable to			
Owners of the parent		(77,862)	(80,994)
Non-controlling interests		<u>3,551</u>	<u>5,014</u>
		<u>(74,311)</u>	<u>(75,980)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For loss for the period	9	<u>(0.12)</u>	<u>(0.14)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2024

		June 30, 2024 (Unaudited) RMB'000	December 31, 2023 (Audited) RMB'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		15,030	13,495
Other intangible assets		46,748	48,191
Prepayments, other receivables and other assets		8,253	7,475
Right-of-use assets		63,253	67,611
Investment in an associate		8,356	8,513
Goodwill		50,653	50,653
Deferred tax assets		2,030	1,055
Time deposits		178,358	175,573
Financial assets at fair value through profit or loss ("FVTPL")		58,214	—
		<hr/>	<hr/>
Total non-current assets		430,895	372,566
CURRENT ASSETS			
Inventories		325,502	246,058
Contract cost		1,723	1,660
Trade and bills receivables	10	363,728	329,955
Contract assets		165,237	130,087
Prepayments, other receivables and other assets		172,508	150,516
Amounts due from related parties		8,554	7,701
Financial assets at FVTPL		647,076	478,348
Pledged deposits		147,099	147,115
Time deposits		28,604	155,854
Cash held on behalf of clients		346,338	299,755
Cash and cash equivalents		279,383	495,425
		<hr/>	<hr/>
Total current assets		2,485,752	2,442,474

		June 30, 2024	December 31, 2023
	<i>Notes</i>	(Unaudited)	(Audited)
		RMB'000	RMB'000
CURRENT LIABILITIES			
Trade and bills payables	11	675,008	464,269
Other payables and accruals		487,058	466,998
Bank and other borrowings		—	2,000
Amounts due to related parties		2,123	477
Contract liabilities		177,470	181,898
Lease liabilities		23,541	26,218
Income tax payable		623	74
		<u>1,365,823</u>	<u>1,141,934</u>
Total current liabilities		1,365,823	1,141,934
NET CURRENT ASSETS			
		<u>1,119,929</u>	<u>1,300,540</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>1,550,824</u>	<u>1,673,106</u>
NON-CURRENT LIABILITIES			
Lease liabilities		37,075	39,339
Deferred tax liabilities		1,826	2,616
		<u>38,901</u>	<u>41,955</u>
Total non-current liabilities		38,901	41,955
Net assets			
		<u>1,511,923</u>	<u>1,631,151</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	12	517	516
Reserves		1,495,966	1,618,343
		<u>1,496,483</u>	<u>1,618,859</u>
Non-controlling interests		<u>15,440</u>	<u>12,292</u>
Total equity		<u>1,511,923</u>	<u>1,631,151</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

Sipai Health Technology Co., Ltd. (the “**Company**”, formerly known as Medbanks Health Technology Co., Ltd. and ThinkGeek Network Technology Co., Ltd.) is a limited liability company incorporated in the Cayman Islands (“**Cayman**”) under the laws of the Cayman Islands. The registered office of the Company is located at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

During the period, the Company and its subsidiaries (together, the “**Group**”) were principally engaged in (i) the business of specialty pharmacy (the “**Specialty Pharmacy Business**”, including specialty pharmacy network and the provision of pharmacist service), (ii) the business of physician research assistance (the “**Physician Research Assistance Business**”, including the provision of site management organisation services and services for image management in clinical trials) and (iii) the provision of health insurance services (the “**Health Insurance Services Business**”, including health management services). The Group’s principal place of operations and geographical markets are in the People’s Republic of China (the “**PRC**”).

The Company was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on December 23, 2022.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2024 has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended December 31, 2023. The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”), and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES

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 December 31, 2023, except for the adoption of the following revised International Financial Reporting Standards (“**IFRSs**”) for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The adoption of the revised standards amendments has had no significant financial effect on the Group’s interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

Specialty Pharmacy Business	Operation of specialty pharmacy stores and distribution of pharmaceutical products to pharmaceutical companies and other distributors.
Physician Research Assistance Business	Offering pharmaceutical companies and other clinical trial institutions site management organisation services, including site feasibility, site initiation, patient recruitment, patient management, data entry and document management, on-site drug management and bio-sample management, site closure and others; and offering services for image management in clinical trials.
Health Insurance Services Business	Providing insurance brokerage services to insurance companies and health management services to insurance carriers and enterprise clients.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Six months ended June 30, 2024

	Specialty Pharmacy Business RMB'000 (Unaudited)	Physician Research Assistance Business RMB'000 (Unaudited)	Health Insurance Services Business RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Segment revenue	2,066,761	187,371	109,648	2,363,780
Segment results	<u>93,665</u>	<u>57,665</u>	<u>77,601</u>	<u>228,931</u>
Reconciliation:				
Other income and gains				19,033
Selling and marketing expenses				(137,816)
Administrative expenses				(161,889)
Research and development expenses				(15,013)
Impairment losses recognized on financial assets and contract assets under ECL model				(3,291)
Other expenses				(3,406)
Finance costs				(1,551)
Share of profits and losses of an associate				<u>(157)</u>
Group's loss before tax				<u><u>(75,159)</u></u>

Six months ended June 30, 2023

	Specialty Pharmacy Business <i>RMB'000</i> (Unaudited)	Physician Research Assistance Business <i>RMB'000</i> (Unaudited)	Health Insurance Services Business <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Segment revenue	2,158,757	170,506	108,693	2,437,956
Segment results	<u>97,585</u>	<u>47,408</u>	<u>73,097</u>	<u>218,090</u>

Reconciliation:

Other income and gains	52,303
Selling and marketing expenses	(152,050)
Administrative expenses	(175,380)
Research and development expenses	(23,863)
Impairment losses recognized on financial assets and contract assets under ECL model	(1,829)
Other expenses	(2,145)
Finance costs	<u>(1,824)</u>
Group's loss before tax	<u><u>(86,698)</u></u>

Geographical information

During the reporting period, almost all of the Group's revenues were derived from operations in the PRC and nearly all of the Group's non-current assets were located in Mainland China. No geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

No further information about major customers is presented as there was no single customer from which over 10% or more of the Group's revenue was derived during the reporting period.

5. REVENUE

An analysis of revenue is as follows:

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Types of goods or services		
Specialty Pharmacy Business	2,066,761	2,158,757
Physician Research Assistance Business	187,371	170,506
Health Insurance Services Business	109,648	108,693
	<hr/>	<hr/>
Total	2,363,780	2,437,956
	<hr/>	<hr/>
Timing of revenue recognition		
Recognized at a point in time	2,172,143	2,267,450
Recognized over time	191,637	170,506
	<hr/>	<hr/>
Total	2,363,780	2,437,956
	<hr/>	<hr/>

6. LOSS BEFORE TAX

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

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	1,973,097	2,061,172
Cost of services provided	161,752	158,694
Depreciation of property, plant and equipment*	3,829	4,798
Depreciation of right-of-use assets*	15,926	17,889
Amortisation of other intangible assets*	4,098	4,223
Government grants	(900)	(23,224)
Interest income	(10,212)	(19,759)
Impairment losses under ECL model	3,291	1,829
Auditor's remuneration	700	700
Expense relating to short-term and low-value assets	4,859	2,005
Gains on financial assets at FVTPL	(7,227)	(8,681)
Loss on disposal of property, plant and equipment	656	34
Gain on remeasurement of the Group's previously held equity interest at the acquisition date	—	(97)
	<u>2,149,869</u>	<u>2,199,583</u>
Staff cost (excluding directors' and chief executive's remuneration):		
– Wages and salaries	281,012	282,763
– Pension scheme contributions	24,366	24,212
– Share-based payment compensation	45,857	54,118
	<u>351,235</u>	<u>361,093</u>

- * The depreciation of plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets for each reporting period are set out in “Administrative expenses” and “Selling and marketing expenses” in the consolidated statement of profit or loss and other comprehensive income.

7. 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.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”), which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group’s Hong Kong subsidiaries with estimated assessable profits for its annual reporting period ended on or after April 1, 2018.

Chinese Mainland

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% during the reporting period unless subject to tax concession set out below.

The income tax (credit)/expense of the Group for the reporting periods is analysed as follows:

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	1,257	710
Deferred income tax	(1,765)	(101)
Tax (credit)/expense for the period	<u>(508)</u>	<u>609</u>

8. DIVIDENDS

No dividend has been paid or declared by the Company during the period (for the six months ended June 30, 2023: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the periods. The calculation of weighted average number of ordinary shares has excluded the treasury shares held in trust of the Company. As the impact of the share option scheme and the conversion of preferred shares had an anti-dilutive effect on the basic loss per share amounts presented, no adjustment has been made on the basic loss per share amounts presented for the periods.

The calculation of basic loss per share is based on:

	For the six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent (RMB'000)	<u>(78,202)</u>	<u>(92,321)</u>
Ordinary shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss per share calculation	644,308,040	645,494,859
Loss per share (RMB per share)	<u>(0.12)</u>	<u>(0.14)</u>

10. TRADE AND BILLS RECEIVABLES

	June 30, 2024	December 31, 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Bills receivables	153	429
Trade receivables	379,506	344,719
Allowance for credit losses	<u>(15,931)</u>	<u>(15,193)</u>
Total	<u>363,728</u>	<u>329,955</u>

An ageing analysis of the trade and bills receivables as at the end of period, based on the invoice date and net of allowance for expected credit losses, is as follows:

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Within 6 months	337,296	311,170
6 to 12 months	25,369	18,751
Over 12 months	1,063	34
	<hr/>	<hr/>
Total	363,728	329,955
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE AND BILLS PAYABLES

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Trade and bills payables	675,008	464,269
	<hr/>	<hr/>

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

	June 30, 2024 RMB'000 (Unaudited)	December 31, 2023 RMB'000 (Audited)
Within 1 month	418,681	329,511
1 to 3 months	200,574	124,903
3 to 6 months	46,734	5,834
Over 6 months	9,019	4,021
	<hr/>	<hr/>
Total	675,008	464,269
	<hr/> <hr/>	<hr/> <hr/>

12. SHARE CAPITAL

The Company was incorporated in May 2015 with an authorised share capital of USD10,000 divided into 100,000,000 ordinary shares (“**ordinary shares**”) with a par value of USD0.0001 each.

A summary of movements in the Company’s issued and fully paid share capital is as follows:

Shares

	June 30, 2024 RMB’000 (Unaudited)	December 31, 2023 RMB’000 (Audited)
Issued and fully paid: 762,690,714 ordinary shares of USD0.0001 each	517	516
	Number of shares in issue	Share capital RMB’000
At January 1, 2023 (audited)	763,025,314	517
Repurchase of ordinary share (<i>note a</i>)	(1,525,200)	(1)
At December 31, 2023 (audited)	761,500,114	516
Exercise of share options (<i>note b</i>)	1,190,600	1
At June 30, 2024 (unaudited)	762,690,714	517

Note a: In 2023, the Company repurchased and cancelled 1,525,200 ordinary shares with a par value of USD0.0001 at total consideration of RMB10,117,000.

Note b: During the six months ended June 30, 2024, 1,190,600 ordinary shares with a par value of USD0.0001 were issued upon exercise of share options at total consideration of RMB588,000.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the Reporting Period, save for the following deviations. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be segregated and should not be performed by the same individual. According to the current structure of the Board, the positions of the Chairman and Chief Executive Officer of the Company are held by Mr. MA Xuguang.

The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors and that the Board comprises three independent non-executive Directors out of six Directors, and the Board believes there is sufficient check and balance on the Board, (ii) Mr. MA Xuguang and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions of the Group accordingly, and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Group. Moreover, the overall strategic and other key business, financial and operational policies of the Group are made collectively after thorough discussion at both the Board and senior management levels. Finally, as Mr. MA Xuguang is one of our co-founders, the Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman and chief executive officer is necessary.

Code provision F.1.1 of the CG Code provides that the issuer should have a policy on payment of dividends. As the Company intends to retain most, if not all, of the Company's available funds and any future earnings to fund the development and growth of the Company's business and has not yet adopted a dividend policy to declare or pay any dividends in the near future, the Board will review the Company's status periodically and consider adopting a dividend policy if and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

The Company's employees, who are likely to be in possession of unpublished inside information of the Company, are also subject to the Model Code.

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

During the Reporting Period, the Company did not repurchase, sell or redeem any Shares on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee had, together with the Board and external auditor of the Company, reviewed the accounting standards and practices adopted by the Group and the interim results for the six months ended June 30, 2024.

SCOPE OF WORK OF AUDITOR

The independent auditor of the Company, Ernst & Young, has also reviewed the Group's interim financial information for the six months ended June 30, 2024 in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF THE INTERIM RESULTS AND 2024 INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.medbankshealthtech.com), and the 2024 interim report containing all the information required by the Listing Rules will be disseminated to the Shareholders electronically (or in hard copy upon request) and published on the respective websites of the Stock Exchange and the Company in due course.

DEFINITIONS AND GLOSSARY

In this interim results announcement, unless the context otherwise requires, the following expressions shall have the following meanings.

“Audit Committee”	the audit committee of the Board
“Board of Directors” or “Board”	the board of Directors
“CG Code”	the “Corporate Governance Code” as contained in Appendix C1 to the Listing Rules
“China”, “Mainland China” or “PRC”	the People’s Republic of China, which, for the purpose of this interim results announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company” or “our Company”	Sipai Health Technology Co., Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on May 19, 2015
“Director(s)”	the director(s) of the Company or any one of them
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined in the Prospectus
“GP(s)”	the general practitioner who treat common medical conditions and refer patients to hospitals and other medical services for urgent and specialist treatment
“Group”, “our Group”, “our”, “we”, or “us”	the Company and all of its subsidiaries, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“IASB”	International Accounting Standards Board
“IPO”	the initial public offering

“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix C3 to the Listing Rules
“Reporting Period”	for the six months ended June 30, 2024
“Prospectus”	the prospectus of the Company dated December 12, 2022
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with nominal value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SMO”	site management organization, an organization that provides clinical trial related services to medical device companies having adequate infrastructure and staff to meet the requirements of the clinical trial protocol
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”	United States Dollars, the lawful currency of the United States
“%”	per cent

By order of the Board
Sipai Health Technology Co., Ltd.
Ma Xuguang
Chairman of the Board and Executive Director

Hong Kong, August 19, 2024

As at the date of this announcement, the Board of Directors comprises Mr. MA Xuguang and Mr. LI Ji as executive directors, Mr. YAO Leiwen as non-executive director, as well as Mr. FAN Xin, Mr. HE Haijian and Ms. HUANG Bei as independent non-executive directors.