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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 2024

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 2024 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue	3	140,670	146,923
Cost of sales		(119,985)	(128,017)
Gross profit		20,685	18,906
Other income, gains and losses, net	4	791	3,150
Selling expenses		(7,260)	(11,513)
Administrative expenses		(28,617)	(29,974)
Research and development expenses		(12,051)	(19,594)
Finance costs	5	(529)	(752)
Reversal of impairment losses on trade receivables		4,633	1,746
Loss before taxation	6	(22,348)	(38,031)
Income tax expense	7	(581)	(14)
Loss for the period		(22,929)	(38,045)

		Six months ended 30 June	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income/(loss)			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value change of equity investments at fair value through other comprehensive income		<u>3,827</u>	<u>(1,608)</u>
Total comprehensive loss for the period		<u>(19,102)</u>	<u>(39,653)</u>
Loss for the period attributable to:			
— Owners of the Company		(22,213)	(35,611)
— Non-controlling interests		<u>(716)</u>	<u>(2,434)</u>
		<u>(22,929)</u>	<u>(38,045)</u>
Total comprehensive loss for the period attributable to:			
— Owners of the Company		(18,386)	(37,219)
— Non-controlling interests		<u>(716)</u>	<u>(2,434)</u>
		<u>(19,102)</u>	<u>(39,653)</u>
Losses per share			
— Basic losses per share (<i>RMB cents</i>)	9	(11.60)	(18.60)
— Diluted losses per share (<i>RMB cents</i>)	9	<u>(11.60)</u>	<u>(18.60)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	<i>Notes</i>	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		3,926	3,720
Right-of-use assets		3,995	7,025
Equity instruments at fair value through other comprehensive income		24,950	17,046
Deferred tax assets		893	2,175
Deposits and other receivables		1,236	3,283
		35,000	33,249
Current assets			
Trade receivables	<i>10</i>	49,276	56,864
Contract costs		38,998	27,383
Prepayments, deposits and other receivables		5,833	16,470
Bank balances and cash		82,436	80,352
		176,543	181,069
Total assets		211,543	214,318

		30 June 2024	31 December 2023
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
LIABILITIES			
Current liabilities			
Trade payables	<i>11</i>	26,548	32,297
Contract liabilities		41,875	18,695
Other payables and accruals		15,223	12,170
Lease liabilities		4,576	7,602
Borrowings		21,497	21,507
		<u>109,719</u>	<u>92,271</u>
Net current assets		<u>66,824</u>	<u>88,798</u>
Total assets less current liabilities		<u>101,824</u>	<u>122,047</u>
Non-current liabilities			
Deferred tax liabilities		–	58
Lease liabilities		959	2,022
		<u>959</u>	<u>2,080</u>
Net assets		<u>100,865</u>	<u>119,967</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		1	1
Reserves		97,738	116,124
		<u>97,739</u>	<u>116,125</u>
Non-controlling interests		<u>3,126</u>	<u>3,842</u>
Total equity		<u>100,865</u>	<u>119,967</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. BASIS OF PREPARATION

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

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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

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 PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at the end of the reporting period, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
The Group's loss before taxation	(22,348)	(38,031)
Less: Other income, gains and losses, net	<u>(791)</u>	<u>(3,150)</u>
Operating loss presented to the CODM	<u><u>(23,139)</u></u>	<u><u>(41,181)</u></u>

Revenue by service type as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Medical conference services	76,133	71,592
Patient education and screening services	1,706	2,781
Marketing strategy and consulting services	53,096	58,927
Contract research organisation services	1,666	5,908
Digital marketing and sales solutions services	7,496	6,102
Internet hospital services	<u>573</u>	<u>1,613</u>
Total revenue	<u><u>140,670</u></u>	<u><u>146,923</u></u>

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	134,760	146,744
Over time	<u>5,910</u>	<u>179</u>
Total revenue	<u><u>140,670</u></u>	<u><u>146,923</u></u>

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
Customer A	21%	23%
Customer B	17%	11%

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Within one year	626,967	623,098

4. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Foreign exchange gains, net	238	1,055
Bank interest income	184	306
Gain on fair value changes of financial assets at fair value through profit or loss (“FVTPL”)	240	352
Government subsidy (<i>Note</i>)	–	90
Value added tax refund	–	1,261
Others	129	86
	791	3,150

Note: No government subsidy was received during the six months ended 30 June 2024. Amount represented subsidy on the Group’s business development without any specific conditions attached to the subsidy during the six months ended 30 June 2023.

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	158	339
Interest expense on borrowings	191	257
Guarantee fees	180	156
	<u>529</u>	<u>752</u>

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2024	2023
	<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
Depreciation of property, plant and equipment	704	1,624
Depreciation of right-of-use assets	3,030	4,515
Amortisation of intangible assets (included in cost of sales)	—	5,102
Staff costs:		
— Fee and salaries (including directors' remuneration)	29,977	38,317
— Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	2,462	3,631
— Social security costs, housing benefits and other employee benefits (including directors' social security costs, housing benefits and other benefits)	3,185	6,061
— Share-based compensation	—	700
	<u>35,624</u>	<u>48,709</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Under provision of taxation for previous years	<u>203</u>	<u>–</u>
	203	–
Deferred tax expense	<u>378</u>	<u>14</u>
	<u>581</u>	<u>14</u>

(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 2024 (six months ended 30 June 2023: 100%).

For the six months ended 30 June 2024, nine (six months ended 30 June 2023: six) of the entities comprising the Group is qualified as small and micro-sized enterprises (“SMEs”) for tax reduction. For the six months ended 30 June 2024, SMEs are eligible for 75% reduction at the applicable EIT tax rate of 20% (six months ended 30 June 2023: SMEs are eligible for 75% reduction at the applicable EIT tax rate 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 2024 and 2023.

8. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2024. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. LOSSES PER SHARE

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Losses attributable to owners of the Company	<u>(22,213)</u>	<u>(35,611)</u>
Weighted average number of ordinary shares in issue in the basic losses per share calculation (<i>in thousands</i>)	191,422	191,442
Effect of conversion of unvested restricted share units (“RSUs”) (<i>in thousands</i>)	<u>N/A</u>	<u>N/A</u>
Weighted average number of ordinary shares in issue in the diluted losses per share calculation (<i>in thousands</i>)	<u>N/A</u>	<u>N/A</u>
Losses per share attributable to the owners of the Company		
— Basic losses per share (<i>RMB cents</i>)	<u>(11.60)</u>	<u>(18.60)</u>
— Diluted losses per share (<i>RMB cents</i>)	<u>(11.60)</u>	<u>(18.60)</u>

The computation of diluted loss per share for the six months ended 30 June 2024 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

	30 June	31 December
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Receivables from third parties	57,052	69,396
Less: allowance for credit losses	<u>(7,776)</u>	<u>(12,532)</u>
	<u>49,276</u>	<u>56,864</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:

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Within 90 days	42,346	47,665
91 days to 180 days	<u>6,930</u>	<u>9,199</u>
	<u>49,276</u>	<u>56,864</u>

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

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Neither past due nor impaired	42,346	47,665
0–90 days past due	<u>6,930</u>	<u>9,199</u>
	<u>49,276</u>	<u>56,864</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

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Payables to third parties	<u>26,548</u>	<u>32,297</u>

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

	30 June 2024	31 December 2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Up to 90 days	13,743	23,248
91 days to 180 days	2,013	1,161
181 days to 360 days	7,085	2,700
Over 360 days	<u>3,707</u>	<u>5,188</u>
	<u>26,548</u>	<u>32,297</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, China's economy moved forward steadily amidst a complex and severe external environment, demonstrating a steady and progressive development. During this period, the Group proactively integrated cutting-edge artificial intelligence (“AI”)-generated content (“AIGC”) technology and web 3.0 digital technology into its business innovation and successfully implemented them to provide AI+medicine services to societies and large-scale pharmaceutical and medical equipment companies, which effectively boosted the Group's business growth. Meanwhile, the Group also vigorously expanded and upgraded its digital pharmaceutical industry services and internet healthcare services, leveraging on data analysis to achieve accurate digital services, which significantly enhanced the quality and efficiency of academic promotion.

In the first half of 2024, AIGC technology and web 3.0 digital technology were successfully applied in the Giraffe Smart Medical Platform, the Medical Camp Platform (醫陣營平台) and the Giraffe Doctor+ Internet Hospital Platform (長頸鹿醫加互聯網醫院平台). Leveraging on the new technology-driven tools and platforms, the Group explored the establishment of a “data asset model for physician-owned intellectual property rights” and a “cooperation model for data asset transaction”; and provided doctors with high-quality and high-efficiency medical knowledge content production experience and medical intellectual property certification services. These models and services have been applied in the nationwide academic dissemination projects undertaken in collaboration with foundations and large-scale pharmaceutical and medical equipment companies and have been widely recognised by clinicians.

As at 30 June 2024, the Group's digital services platform had 767,345 registered doctor users, held 60,935 online education sessions with doctors and 26,612 online education sessions for patients, livestreamed 13,665 times, with 33,150 videos available and viewed by 5,261,980 visitors. In addition, 947,230 pieces of academic content were produced, including professional medical and patient education.

The Group has sustained its effort to develop and expand its internet healthcare platform 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 internet 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 2024, the number of registered doctor and patient users of the internet healthcare platform reached 51,883 and 298,856, representing an increase of approximately 5.2% and 13.3%, respectively, as compared to those as at 30 June 2023. This achievement demonstrates our proactive efforts to continue to expand in the field of internet healthcare and the significant results we have achieved.

OUTLOOK

Plans for the Group’s development in the second half of 2024

The Group will continue to deepen the exploration of scenarios combining AIGC technology and clinicians. By applying AIGC technology to the Giraffe Medical Camp Platform and the Giraffe Doctor+ Internet Hospital Platform, the Group will achieve a comprehensive connection between doctors, patients, organisations as well as pharmaceutical and medical equipment companies with the Group’s digital tools and platforms, and provide accurate digital medical dissemination solutions and digital services. Facing the service targets, especially the clinician group, the core of the healthcare industry, the synergistic cooperation with doctors through the Group’s AIGC technology-driven tools and platforms will break the traditional linear and inefficient models, create incremental value of clinical medicine+AIGC and web 3.0, and ultimately drive the business to grow steadily.

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 4.3% from approximately RMB146.9 million for the six months ended 30 June 2023 to approximately RMB140.7 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			
	2024		2023	
	<i>(RMB'000)</i>		<i>(RMB'000)</i>	
Medical conference services	76,133	54.1%	71,592	48.7%
Marketing strategy and consulting services	53,096	37.8%	58,927	40.1%
Digital marketing and sales solutions services	7,496	5.3%	6,102	4.2%
CRO services	1,666	1.2%	5,908	4.0%
Patient education and screening services	1,706	1.2%	2,781	1.9%
Internet hospital services	573	0.4%	1,613	1.1%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	<u>140,670</u>	<u>100.0%</u>	<u>146,923</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 increased by approximately 6.3% from approximately RMB71.6 million for the six months ended 30 June 2023 to approximately RMB76.1 million for the Reporting Period, primarily due to certain projects of the Group that were scheduled to be completed last year had been delayed to the current Reporting Period after the prolonged COVID-19 pandemic.

Marketing Strategy and Consulting Services

The Group provides marketing strategy and consulting services to assist pharmaceutical companies in formulating and implementing effective business strategies in enhancing their brands and product awareness among physicians. Revenue from marketing strategy and consulting services decreased by approximately 9.9% from approximately RMB58.9 million for the six months ended 30 June 2023 to approximately RMB53.1 million for the Reporting Period due to the slowdown in demand for marketing strategy and consulting services, which was in line with the reduction of economic activities in the People's Republic of China (the "PRC") during the Reporting Period.

Digital Marketing and Sales Solutions Services

The Group utilises 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 increased by approximately 22.8% from approximately RMB6.1 million for the six months ended 30 June 2023 to approximately RMB7.5 million for the Reporting Period, primarily attributable to the Group's business strategy to focus on digital marketing projects with higher profit margin during 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 38.7% from approximately RMB2.8 million for the six months ended 30 June 2023 to approximately RMB1.7 million for the Reporting Period, primarily attributable to the reduction of economic activities in the PRC and the Group's business strategy to down-scale projects with lower profit margin during the Reporting Period.

CRO Services and Internet Hospital Services

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

Revenue from CRO services decreased by approximately 71.8% from approximately RMB5.9 million for the six months ended 30 June 2023 to approximately RMB1.7 million for the Reporting Period due to the reduction of economic activities in the PRC.

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 decreased by approximately 64.5% from approximately RMB1.6 million for the six months ended 30 June 2023 to approximately RMB0.6 million for the Reporting Period, primarily attributable to the tightening regulations in the PRC in respect of rectifying the practices in pharmaceutical sales and medical services.

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 6.3% from approximately RMB128.0 million for the six months ended 30 June 2023 to approximately RMB120.0 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 RMB1.8 million from approximately RMB18.9 million for the six months ended 30 June 2023 to approximately RMB20.7 million for the Reporting Period. The Group's overall gross profit margin slightly increased from 12.9% for the six months ended 30 June 2023 to 14.7% for the Reporting Period, primarily due to the Group's business strategy to concentrate on projects with higher profit 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 decreased by approximately 74.9% from approximately RMB3.2 million for the six months ended 30 June 2023 to approximately RMB0.8 million for the Reporting Period, primarily attributable to the decrease in value added tax refund during the Reporting Period.

Selling expenses

Selling expenses mainly consist of transportation expenses, salaries, performance bonuses and employee benefits expenses for the sales and marketing and business development expenses. The Group's selling expenses decreased by approximately 36.9% from approximately RMB11.5 million for the six months ended 30 June 2023 to approximately RMB7.3 million for the Reporting Period, primarily due to the decrease in staff cost and a reduction in the cost of enhancing customer networks and promoting the Group's services during the Reporting Period.

Administrative expenses

Administrative expenses mainly represent salaries and benefits of the administrative and management staff, professional consulting fees, depreciation and other miscellaneous administrative expenses. The Group's administrative expenses decreased by approximately 4.5% from approximately RMB30.0 million for the six months ended 30 June 2023 to approximately RMB28.6 million for the Reporting Period, primarily due to the decrease in staff cost and professional fee as a result of the cost saving strategy of the Group, which was partially net off by the exchange loss.

Research and development expenses

The Group's research and development expenses decreased by approximately 38.5% from approximately RMB19.6 million for the six months ended 30 June 2023 to approximately RMB12.1 million for the Reporting Period, mainly due to reduced expenses incurred during the Reporting Period for the Group's research and development projects, including digital marketing solutions, digital medical solutions, and development of an artificial intelligent online platform.

Finance costs

Finance costs mainly represent interest expense on bank loans and interest expense on lease liabilities. The Group's finance costs decreased by approximately 29.7% from approximately RMB0.8 million for the six months ended 30 June 2023 to approximately RMB0.5 million for the Reporting Period, mainly due to the decrease in interest expense on lease liabilities resulted from the early termination of a lease.

Income tax expense

The Group recorded income tax expense of approximately RMB0.6 million for the Reporting Period as compared with income tax expense of approximately RMB0.1 million for the six months ended 30 June 2023, primarily due to the underprovision for income tax expense for the six months ended 30 June 2023 and decrease in tax reduction for eligible research and development expenses during the Reporting Period.

Loss for the period

The Group's loss for the period decreased by approximately 39.7% from approximately RMB38.0 million for the six months ended 30 June 2023 to approximately RMB23.0 million for the Reporting Period due to the net effects of (i) the increase in the Group's gross profit by approximately RMB1.8 million as the Group concentrated on projects with higher profit margin; (ii) the decrease in research and development expenses by approximately RMB7.5 million; and (iii) the decrease in selling expenses by approximately RMB4.3 million.

Other comprehensive income/(loss)

The Group recorded other comprehensive income of approximately RMB3.8 million for the Reporting Period, as compared with other comprehensive loss of approximately RMB1.6 million for the six months ended 30 June 2023, primarily due to the increase in recognition of unrealised fair value gain 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 RMB56.9 million as at 31 December 2023 to approximately RMB49.3 million as at 30 June 2024 due to the decrease in the Group's sales as a result of the scaling-down of projects with lower profit margin as part of the Group's business strategy.

Trade payables

Trade payables mainly represent 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 RMB32.3 million as at 31 December 2023 to approximately RMB26.5 million as at 30 June 2024, which was generally in line with the decrease in the Group's revenue.

Financial assets at fair value through profit or loss

The Group's financial assets at FVTPL mainly represent financial products that the Group purchased. These financial products were primarily low risk structured deposit from reputable PRC commercial banks, the principal of which was invested in low risk debt instruments, while the interest was invested in derivatives market. As at 30 June 2024, the financial assets at FVTPL have been fully redeemed and the Group did not record any financial assets at FVTPL (31 December 2023: Nil). For the Reporting Period, the gain on fair value changes of financial assets at FVTPL amounted to approximately RMB0.2 million, representing a decrease of approximately 31.8% from approximately RMB0.4 million for the six months ended 30 June 2023. The decrease was mainly attributable to the decrease in average balance of the financial assets at FVTPL during the Reporting Period.

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 2024, the Group had net current assets of approximately RMB66.8 million, as compared with net current assets of approximately RMB88.8 million as at 31 December 2023.

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 2024, the Group had bank balances and cash of approximately RMB82.4 million, representing an increase of approximately 2.6% from approximately RMB80.4 million as at 31 December 2023. 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

As at 30 June 2024, the Group, as a lessee, had outstanding current and non-current lease liabilities of approximately RMB5.5 million as compared with approximately RMB9.6 million as at 31 December 2023. The lease liabilities represent payment for the right to use underlying assets, which is unsecured and unguaranteed.

As at 30 June 2024, the Group had outstanding bank borrowings of approximately RMB21.5 million (31 December 2023: RMB21.5 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 2024, the Group had no available unutilised banking facilities (31 December 2023: RMB3.5 million).

The Group's gearing ratio (calculated as total bank and other borrowings divided by total equity) as at 30 June 2024 was 21.3% (31 December 2023: 17.9%).

Capital expenditures

Capital expenditures of the Group increased to approximately RMB939,000 for the Reporting Period as compared with approximately RMB364,000 for the six months ended 30 June 2023. These capital expenditures were related to purchases of property, plant and equipment. It is expected that the Group will incur expenses to develop computer and mobile software and platforms for its digital marketing and sales solutions services which may be capitalised. These expenses will be financed by the 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 2024, the total number of issued Shares was 200,000,000 and the Company did not hold any treasury shares.

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 2024, the Group did not have any material contingent liabilities (31 December 2023: nil).

Pledge of assets

As at 30 June 2024, the Group did not pledge any of its assets (31 December 2023: nil).

Human resources

As at 30 June 2024, the Group had 280 employees (30 June 2023: 419 employees). For the Reporting Period, the staff cost recognised as expenses of the Group amounted to approximately RMB35.6 million, representing a decrease of approximately 26.9% from approximately RMB48.7 million for the six months ended 30 June 2023. The decrease was mainly attributable to the decrease in headcounts during the Reporting Period.

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 (the “**RSU Scheme**”) and a share option scheme (the “**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 of the Company dated 31 December 2020 (the “**Prospectus**”).

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

Equity Interests in Shanghai Bohuikang Biological Technology Co., Ltd. (“Shanghai Bohuikang”)

On the 17 May 2018, the Group entered into an agreement with the founding shareholders of Shanghai Bohuikang, independent third parties to the Group, for the injection of new capital to Shanghai Bohuikang by the Group. Upon the completion of the capital contribution of RMB5,150,000 on 17 May 2018, the Group held 9% equity interests of Shanghai Bohuikang.

Shanghai Bohuikang is principally engaged in the development and production of cancer diagnostic reagents and ancillary instruments. The Group invested in Shanghai Bohuikang since 2018 as the Group believes genetic testing is complementary to its existing service.

As at 30 June 2024, the Group holds 19.41% equity interest in Shanghai Bohuikang (31 December 2023: 19.41%), the fair value of which was approximately RMB20.2 million as at 30 June 2024 (31 December 2023: approximately RMB14.2 million), accounting for approximately 9.5% (31 December 2023: approximately 6.6%) of the total assets of the Group of approximately RMB211.5 million as at 30 June 2024 (31 December 2023: approximately RMB214.3 million).

During the Reporting Period, the change in fair value of the equity interests in Shanghai Bohuikang of approximately RMB6.0 million was credited to other comprehensive income (30 June 2023: other comprehensive loss of approximately RMB1.6 million). No dividend income was received from the equity interests in Shanghai Bohuikang during the Reporting Period (30 June 2023: nil).

The Group remains susceptible to the risk of fair value change of its equity investments designated at fair value through other comprehensive income, and may record a fair value loss on the equity investments in the future, which would lead to a decrease in the total assets as well as net assets.

To monitor the performance of the Group's equity investments, the Group has adopted the following internal control policies: (i) the manager and supporting staff of each equity investment will report the investment budget, the operational status of the investment target, and the major issues and their potential consequences to the Group's management on a timely basis; (ii) the Group will review the equity investments at least annually; and (iii) all the files related to each equity investment will be properly documented and archived.

Save as disclosed above, 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 (including sale of treasury shares) of the Company during the Reporting Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no other future plans for material investments or capital assets as at 30 June 2024.

EVENTS AFTER REPORTING PERIOD

There were no significant events after 30 June 2024 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. David Zheng Wang and Mr. Song Ruilin. Mr. Yang Xiaoxi is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim results of the Group and the interim report of the Company for the six months ended 30 June 2024. 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 CG Code as its own code of corporate governance practices. During the Reporting Period, the Company had 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 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 2024 (2023: Nil).

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mediwelcome.com). The interim report of the Company for the six months ended 30 June 2024 containing all the information required by the Listing Rules 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, 28 August 2024

As at the date of this announcement, the executive directors are Mr. Shi Wei, Mr. Yang Weimin, Mr. Wang Liang and Mr. Wang Wei; the non-executive director is Mr. Liu Xia; and the independent non-executive directors are Mr. Song Ruilin, Mr. David Zheng Wang and Mr. Yang Xiaoxi.