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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1947)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2024	2023
	(RMB'000)	*(RMB'000)*
	(unaudited)	(unaudited)
Revenue	**33,797**	34,985
Cost of sales	**(21,449)**	(19,517)
Gross profit	**12,348**	15,468
Loss before tax	**(14,432)**	(2,751)
Loss for the period	**(15,136)**	(2,120)

The board (the "**Board**") of directors (the "**Directors**") of Meihao Medical Group Co., Ltd (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**"), together with the comparative figures for the six months ended 30 June 2023.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2024

		2024	2023
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	4	**33,797**	34,985
Cost of sales		**(21,449)**	(19,517)
Gross profit		**12,348**	15,468
Other income and gains		**2,878**	2,773
Selling expenses		**(11,217)**	(9,816)
Administrative expenses		**(17,454)**	(10,122)
Reversal of impairment losses/ (impairment losses) on financial assets, net		**4**	(2)
Other expenses		**(205)**	(206)
Finance costs		**(786)**	(846)
LOSS BEFORE TAX	5	**(14,432)**	(2,751)
Income tax (expense)/credit	6	**(704)**	631
LOSS FOR THE PERIOD		**(15,136)**	(2,120)
Attributable to:			
Owners of the parent		**(15,074)**	(2,122)
Non-controlling interests		**(62)**	2
		(15,136)	(2,120)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	**RMB(2.51) cents**	RMB(0.35) cents

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

	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
LOSS FOR THE PERIOD	**(15,136)**	(2,120)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(5)**	–
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company's financial statements into presentation currency	**675**	3,125
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**670**	3,125
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(14,466)**	1,005
Attributable to:		
Owners of the parent	**(14,404)**	1,003
Non-controlling interests	**(62)**	2
	(14,466)	1,005

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2024

	Notes	**30 June 2024 (Unaudited)** *RMB'000*	31 December 2023 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**27,273**	27,799
Right-of-use assets		**32,846**	33,857
Goodwill		**674**	–
Intangible assets		**301**	373
Deferred tax assets		**1,131**	694
Prepayments, other receivables and other assets		**15,947**	17,394
Total non-current assets		**78,172**	80,117
CURRENT ASSETS			
Inventories		**2,810**	2,506
Trade receivables	9	**1,317**	789
Prepayments, other receivables and other assets		**12,284**	7,044
Time deposits with original maturity over three months		**29,381**	55,144
Cash and cash equivalents		**100,462**	86,827
Total current assets		**146,254**	152,310
CURRENT LIABILITIES			
Trade payables	10	**7,360**	6,640
Other payables and accruals		**22,805**	17,724
Contract liabilities		**3,780**	3,302
Lease liabilities		**8,396**	8,803
Tax payable		**1,914**	1,490
Total current liabilities		**44,255**	37,959
NET CURRENT ASSETS		**101,999**	114,351
TOTAL ASSETS LESS CURRENT LIABILITIES		**180,171**	194,468

	30 June 2024 (Unaudited) *RMB'000*	31 December 2023 (Audited) *RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**180,171**	194,468
NON-CURRENT LIABILITIES		
Lease liabilities	**23,538**	24,918
Contract liabilities	**3,952**	4,005
Total non-current liabilities	**27,490**	28,923
Net assets	**152,681**	165,545
EQUITY		
Equity attributable to owners of the parent		
Share capital	**5,365**	5,365
Reserves	**146,139**	159,813
	151,504	165,178
Non-controlling interests	**1,177**	367
Total equity	**152,681**	165,545

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

    The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

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

4. REVENUE

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**33,797**	34,985

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of services		
Dental services	**33,797**	34,985
Geographical market		
Chinese Mainland	**33,797**	34,985
Timing of revenue recognition		
Services transferred over time	**33,797**	34,985

5. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories, consumables and customised products	**5,410**	5,066
Reversal of impairment losses/(impairment losses) on financial assets, net	**(4)**	2
Share-based payment expense	**6,216**	–
Foreign exchange differences, net	**(46)**	(135)

6. INCOME TAX

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

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

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on the Group's subsidiary has been provided as there was no assessable profit arising in Hong Kong during the period (2023: Nil).

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

	For the six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – Chinese Mainland		
Charge for the period	**1,141**	936
Deferred	**(437)**	(1,567)
Total tax charge/(credit) for the period	**704**	(631)

7. DIVIDENDS

On 18 June 2024, the final dividend of HK$0.01 per ordinary share was approved by the Company's shareholders (the "**Shareholders**") at the annual general meeting. The final dividend was payable in cash, with an option provided to the Shareholders to receive new and fully paid shares in lieu of cash, under the scrip dividend scheme. As at the date of this announcement, dividend of approximately HK$5.9 million (equivalent to approximately RMB5.4 million) was paid in cash and the rest was paid by issuing scrip shares.

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

The calculation of the basic earnings 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 of 599,799,204 (six months ended 30 June 2023: 600,000,000) in issue during the period. The number of shares for the current period has been arrived at after eliminating the shares of the Company held under the share award scheme.

The calculations of basic loss per share are based on:

	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic earnings per share calculation	**(15,074)**	(2,122)

	Number of shares	
	2024	2023
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**599,799,204**	600,000,000

As the Group incurred losses, no adjustment has been made to the basic loss per share amounts presented for the period in respect of a dilution as the impact of the equity-settled share award and share option arrangements had an anti-dilutive effect on the basic loss per share amounts presented.

9. TRADE RECEIVABLES

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

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**1,301**	759
3 to 6 months	**1**	11
6 to 12 months	**14**	2
1 to 2 years	**–**	7
Over 2 years	**1**	10
Total	**1,317**	789

10. TRADE PAYABLES

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

	30 June 2024 *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
Within 3 months	**2,054**	1,161
3 to 6 months	**1,030**	1,212
6 to 12 months	**1,070**	1,373
Over 1 year	**3,206**	2,894
Total	**7,360**	6,640

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is an established private dental service provider in Wenzhou City (溫州市), Zhejiang Province, PRC. The Group generates its revenue primarily from providing comprehensive dental services to individuals, covering primarily four dental sectors namely, general dentistry (口腔綜合治療科), reparative dentistry (口腔修復科), implant dentistry (種植牙科) and orthodontics and cosmetic dentistry (牙齒正畸科). As at 30 June 2024, the Group owned and operated a network of six private dental hospitals and clinics in Wenzhou, namely Wenzhou Hospital, Lucheng Hospital, Wenzhou Oral Care, Ouhai Jielaiya Oral Clinic, Rui'an Branch Hospital in Rui'an City and Longgang Hospital in Longgang City.

During the Reporting Period, the Group was subject to the Collective Procurement Dental Implants Policy (種植牙集採政策) (the "**Collective Procurement Policy**"), which imposed restrictions on the pricing of our services. To mitigate the continuing adverse impacts brought by the said policy on the Group's profit, we spent additional promotional fees on advertising platforms to attract more customers. As a result, the Group's revenue decreased to approximately RMB33.8 million for the six months ended 30 June 2024 from approximately RMB35.0 million for the six months ended 30 June 2023.

Due to the incremental investments in advertising costs, our customer orders gradually rebounded, promoting our brand awareness, and gradually consolidating our brand image. Furthermore, to ensure the sustainable development of the Group, the Group recruited various talents and granted equity interest to senior management to retain our existing human resources. We believe that the Group will make progress together with all employees, and we are fully confident in the future development and prospects of the Group.

Business Segments

General Dentistry

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

Orthodontics and Cosmetic Dentistry

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

Reparative Dentistry

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

Implant Dentistry

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

Total Number of Active Patients by Five Private Dental Hospitals and One Clinic

The number of the Group's total active patients decreased from 30,366 for the six months ended 30 June 2023 to 29,259 for the six months ended 30 June 2024, representing a decrease of 3.6%. The following table sets forth the breakdown of the number of active patients by the Group's five private dental hospitals and one clinic:

	For the six months ended	
	30 June 2024	30 June 2023
	No. of active patients	*No. of active patients*
Wenzhou Hospital	**14,545**	18,908
Rui'an Branch Hospital	**1,460**	1,668
Longgang Hospital	**1,669**	2,657
Lucheng Hospital	**5,318**	4,896
Wenzhou Oral Care	**4,238**	2,237
Ouhai Jielaiya Oral Clinic	**2,029**	–
	29,259	30,366

Revenue by Five Private Dental Hospitals and One Clinic

	For the six months ended			
	30 June 2024		30 June 2023	
	Revenue	**%**	Revenue	%
	RMB'000		*RMB'000*	
Wenzhou Hospital	**18,285**	**54.1**	22,762	65.1
Rui'an Branch Hospital	**1,474**	**4.4**	1,394	4.0
Longgang Hospital	**1,836**	**5.4**	2,109	6.0
Lucheng Hospital	**4,925**	**14.6**	5,053	14.4
Wenzhou Oral Care	**6,369**	**18.8**	3,667	10.5
Ouhai Jielaiya Oral Clinic	**908**	**2.7**	–	–
Total	**33,797**	**100.0**	34,985	100.0

Wenzhou Dental Hospital, which commenced operations in March 2011, contributed the largest share of our revenue during the Reporting Period, representing approximately 54.1% of our total revenue for the six months ended 30 June 2024.

PROSPECTS

Following the implementation of China's Collective Procurement Policy for dental implants, the cost of implant dentistry services in public hospitals has been reduced, posing operational challenges for dental service providers in the long run. This policy led to a decline in both the number of visits to our implant dentistry departments and the average expenditure per visit, resulting in continuing adverse impacts on the Group's implant dentistry services. However, in the long run, offering services at more affordable prices is expected to enhance public dental health awareness, thereby benefiting the penetration and growth of the entire sector, as a result of which the dental sector continues to demonstrate vigorous growth.

Leveraging our extensive experience, solid reputation and the trust of our patients, along with the Company's status as a listed entity, we are well-positioned to redouble our investments in our promotional efforts and seize market opportunities, further strengthen our market position, and expand our market share within the industry. Moving forward, the Company is committed to providing high-quality dental services to meet the oral health needs of the public and achieve sustainable growth.

Cementing our business coverage and launching our excursion to the overseas market

Given our roots in Wenzhou and our well-established reputation within the local dental healthcare industry, we are committed to continuing our expansion in the regional market with great potential. The Group is consistently planning to establish more proficient private dental hospitals in Wenzhou, under which, first, the successful implementation of the Xinglin Project (杏林計劃) empowers our doctors to start their own practices and subsequently return with their established clinics. Second, our expansion of the service scope to the establishment of a specialized hospital focused on pediatric dentistry will attract dental healthcare talents across various departments. While strategically capturing the rising demand in Wenzhou to synergize with our existing dental hospitals, we are also exploring strategic acquisition opportunities in Zhejiang Province and neighbouring provinces. In addition, while further launching our excursion into overseas markets, we successfully incorporated a company in Dubai, and will gradually implement subsequent business arrangements, synchronizing them with our domestic operations.

The Group's consolidation and expansion strategies will focus not only on comprehensive dental care, orthodontics, cosmetic dentistry, and implant dentistry but will also extend into the upstream and downstream sectors of the healthcare industry. As the dental service market develops steadily, the Group is well-positioned to invest in additional sectors. Utilising the contribution by device companies following our strategic partnership with them during the upstream expansion to the medical device industry, the Group can better manage the sources of raw materials, equipment, and technology, ensuring supply stability and mitigating the risk of supply chain disruptions. Direct procurement or customisation helps us reduce procurement costs and enhance profit margins. By establishing close cooperation with upstream equipment suppliers and material manufacturers, the Group can keep abreast of the latest technologies and products, facilitating our technological innovation and R&D efforts, while enhancing our brand identity thus improving our service quality and competitiveness. Downstream investments and partnerships in the medical aesthetics industry will expand the business scope and diversify the revenue sources of the Group, facilitating the integration of industry chain and creation of a more comprehensive business cycle. This strategy not only boosts operational efficiency but also reduces costs and improves service quality through synergistic effects, subsequently consolidating our overall competitiveness. By offering more holistic services and adopting a multi-dimensional strategic investment approach, we aim to strengthen our brand recognition and increase customer satisfaction and loyalty.

Dedicated to dental services

The Group is committed to continuously providing high-quality dental services to our customers, a cornerstone for building a positive reputation and securing customer trust within a competitive landscape. Through ongoing enhancements to our business operation software systems, we aim to improve the efficiency of centralized hospital management and network maintenance, increase advertising investments in platform-based promotions, as well as to improve our children dental services. These efforts underline the Group's profound understanding and capability to meet customer needs.

The upgrade of our business operation software systems will facilitate a more efficient integration and management of data across our six dental hospitals and clinics, significantly improving the coherence and efficiency of service processes. In addition, advancements in centralized management and network maintenance are poised to lower operational costs and boost service quality, enabling our clients to access more convenient and efficient dental services. The increase in advertising investments continued to enhance our business capabilities. Given our constant exposure to various customer bases, we train our healthcare talents to address oral issues that arise in consultations, deepen their knowledge of dentistry, and adopt more efficient diagnostic techniques. Furthermore, by reallocating the existing resources of Wenzhou Hospital to expand the children dental department, the Group is committed to enhancing service quality and enlarging our market share, with a focus on catering to the needs of specific customer groups, as well as an emphasis on ensuring a more comfortable and safer environment for young patients.

These strategies will enable the Group to distinguish itself in the highly competitive market by offering clients a superior and more desirable dental experience. By consistently improving service quality and customer satisfaction, the Group will gain more trust and support from clients, achieving sustainable and robust development.

Maintaining and cultivating outstanding talent resources

The Group recognises that professionals are vital assets to our group, crucial for business success and the driving force behind the Group's healthy growth. Therefore, we focused on the personal development of each employee, consistently providing training for our medical staff, ensuring competitive compensation and benefits for all staff, upholding the legitimate rights and interests of every employee, focusing on occupational health and safety, and committed to creating a platform where employees can enhance their professional skills and pursue long-term growth, thereby promoting mutual advancement for both the Company and our employees.

Furthermore, the Group continues to carry on the plan to establish a dentistry training centre so that it can have a centralised training centre for all of the dental hospitals and have the capacity to host, meeting and conferences for its dentists. Through cultivating our own pool of dentists, the Group believes that it could distinct us from other competitors and provide professional services to its clients. The Group will also initiate campus recruitment aimed at expanding enrolment for oral medicine programs and enhancing educational quality through stronger partnerships with medical colleges. Moreover, in collaboration with the Wenzhou Science and Technology Bureau and the Cuban Medical Bureau, we have introduced the Cuban doctoral doctors to our hospitals, which will make invaluable contribution to the Group. Our vision of integrating overseas talents is a key aspect of the Group's internationalisation initiative, successfully putting Wenzhou's dental sector in the spotlight.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group's revenue amounted to approximately RMB33.8 million, representing a decrease of approximately 3.4% as compared to the six months ended 30 June 2023. The decrease in revenue was mainly driven by (i) the intense market competition as dental hospital brands from other regions progressively expand into the local market; and (ii) a decrease in customer orders as a result from the decline in the consumer market of the PRC.

Revenue by types of dental services

General Dentistry

Our revenue for general dentistry for the six months ended 30 June 2024 was approximately RMB14.3 million (2023: RMB15.0 million), representing a decrease of approximately 4.7% as compared to the corresponding period in 2023. The decrease was mainly due to the decrease in sales per transaction for general dentistry. Such decrease in sales per transaction was mainly due to a weakened consumption momentum as a whole in the PRC market. Revenue generated from general dentistry accounted for approximately 42.2% of our total revenue for the Reporting Period as compared to approximately 43.0% for the six months ended 30 June 2023.

Orthodontics and Cosmetic Dentistry

Our revenue for orthodontics and cosmetic dentistry for the six months ended 30 June 2024 was approximately RMB5.7 million (2023: RMB6.1 million), representing a decrease of approximately 6.6% as compared to the corresponding period in 2023. The decrease was mainly due to a decrease in the number of visits from 3,500 visits for the six months ended 30 June 2023 to 3,400 visits for the Reporting Period. Such decrease in the number of visits was mainly due to the increase in market competition. Revenue generated from orthodontics and cosmetic dentistry accounted for approximately 17.0% of our total revenue, as compared to approximately 17.6% for the six months ended 30 June 2023.

Reparative Dentistry

Our revenue for reparative dentistry for the six months ended 30 June 2024 was approximately RMB7.1 million (2023: RMB7.2 million), representing a decrease of 1.4%, due to the decrease in sales per transaction. It accounted for approximately 21.0% of our total revenue for the Reporting Period, similar to approximately 20.5% of the six months ended 30 June 2023.

Implant Dentistry

Our revenue for implant dentistry for the six months ended 30 June 2024 was approximately RMB4.3 million (2023: RMB3.9 million), indicating an increase of RMB0.4 million or 10.3%. The increase in our revenue of implant dentistry was due to an influx of new customers, who were attracted by our enhanced advertising and promotional efforts for the implant dentistry at our hospitals.

Cost of Sales

Our cost of sales mainly included (i) staff costs; (ii) cost of inventories, consumables and customised products; and (iii) depreciation expenses of property, plant and equipment and right-of-use assets. During the Reporting Period, our cost of sales has increased by approximately 9.7% to approximately RMB21.4 million (2023: RMB19.5 million). The increase in cost of sales was attributable to (i) an increase in expenses for inventories; and (ii) an increase in staff costs due to the grant of share options to certain eligible doctors and nurses, and the Group's expansion of job positions for its talent reserve.

Gross Profit and Gross Profit Margin

During the Reporting Period, our gross profit decreased by approximately 20.6% as compared to the corresponding period in 2023 to approximately RMB12.3 million (2023: approximately RMB15.5 million), mainly driven by the decrease in our revenue of approximately 3.4%. As part of our costs within our cost of sales category are fixed costs, our gross profit margin decreased to approximately 36.5% (2023: 44.2%).

Other Income and Gains

During the Reporting Period, the other income and gains increased by approximately 3.6% as compared to the corresponding period in 2023 to approximately RMB2.9 million (2023: approximately RMB2.8 million), mainly due to an increase in the bank interest income.

Selling Expenses

During the Reporting Period, the selling expenses primarily comprised marketing and promotion expenses, and staff costs. During the Reporting Period, the Group's selling expenses increased by approximately 14.3% as compared to the corresponding period in 2023 to approximately RMB11.2 million (2023: approximately RMB9.8 million), mainly driven by the increase in marketing and promotion expenses.

Administrative Expenses

Our administrative expenses increased by approximately 73.3% or RMB17.5 million as compared to the corresponding period in 2023 (2023: RMB10.1 million). The increase in our administrative expenses was due to a combined effect of (i) an increase in staff costs due to the grant of share options and share awards to retain senior management; and (ii) an increase in staff costs due to the recruitment of senior management personnel across departments to serve as the talent pool for our Group's strategic development.

Income Tax

During the Reporting Period, we recorded an income tax expense of approximately RMB0.7 million as compared to an income tax credit of approximately RMB0.6 million for the six months ended 30 June 2023, mainly due to the loss making position of certain subsidiaries for the Reporting Period.

Loss attributable to the owners of the Company

As a result of the foregoing, the Group recorded a loss attributable to owners of the Company for the Reporting Period of RMB15.1 million as compared to a loss attributable to owners of the Company of RMB2.1 million for the six months ended 30 June 2023.

Prepayments, other receivables and other assets

The current portion of our prepayments, other receivables and other assets increased by approximately RMB5.3 million from approximately RMB7.0 million as at 31 December 2023 to approximately RMB12.3 million as at 30 June 2024.

Liquidity, Financial Resources and Capital Structure

The Group financed its operations primarily through cash generated from the Group's operations and the net proceeds received from the Global Offering. As at 30 June 2024, the Group's net current assets amounted to approximately RMB102.0 million (as at 31 December 2023: RMB114.4 million), and its liquidity as represented by current ratio (total current assets/ total current liabilities) was 3.3 times (as at 31 December 2023: 4.0 times). The Group's bank balances amounted to approximately RMB100.5 million (as at 31 December 2023: RMB86.8 million). As at 30 June 2024, the Group had no bank loans (as at 31 December 2023: Nil), and therefore the gearing ratio was not applicable (2023: not applicable). On 14 December 2022, the ordinary shares of the Company were listed on the Main Board of the Stock Exchange by way of Global Offering and completed the share offer of its 150,000,000 ordinary shares, comprising 45,000,000 Hong Kong offer shares and 105,000,000 international placing shares, with a par value of HK$0.01 each at an offer price of HK$0.84 per share. The Company believes that the funding from the Global Offering on the Main Board would allow the Group to continue with its future business development to expanding our dental medical institutions network in the PRC and to gain access to capital market for raising funds in the future.

Pledge of Assets

As at 30 June 2024, the Group did not have any pledged assets (as at 31 December 2023: Nil).

Foreign Currency Exposure

The majority of the Group's revenue is denominated in Renminbi and the Group's accounts are prepared in Renminbi. As such, the Group maintained stable cashflow generated from its operating activities and did not have material exposure to fluctuations in foreign currency rates. The net proceeds received by the Group from the Global Offering are denominated in Hong Kong dollars and the Group is exposed to fluctuation of exchange rate between Renminbi and Hong Kong dollars.

The Group currently does not have any hedging policy for foreign currencies in place. However, the management will remain alert to any relevant risks as the financial position of the Company may be adversely affected due to any material fluctuations in foreign currency rates. Therefore, the management will closely monitor the market changes and may consider to adopt hedging policy to mitigate any material potential foreign exchange risk if necessary.

Capital Commitments

As at 30 June 2024, the Group had capital commitments of approximately RMB3.0 million for leasehold improvements and addition of medical equipment (as at 31 December 2023: approximately RMB3.2 million).

Contingent liabilities and guarantees

As at 30 June 2024, the Group had no material contingent liabilities or guarantees (as at 31 December 2023: Nil).

Employees and Remuneration Policies

As at 30 June 2024, the Group employed 323 staff (including executive Directors), all of which were located in the PRC (as at 31 December 2023: 286). Remuneration packages for the Group's employees mainly comprise basic salary and bonus. The Group annually reviews their performance. The results of such reviews are used in their salary determinations, bonus awards and promotion appraisals. Moreover, the Group provides comprehensive training programs to its employees to enhance the technical skills of medical professionals to further their career development. The Group provides both in-house and external trainings for its employees to improve their skills and knowledge. The Group adopted a share option scheme on 8 November 2022 to create incentives to employees and to align their interest with that of the Group. Moreover, the Group has adopted a share award scheme on 16 January 2024 with an aim to (i) recognition the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. Employee benefit expenses primarily consist of wages, bonus, and allowances as well as central pension scheme contribution, which are provided by the Group to its employees in the PRC. Employee benefits expenses was approximately RMB19.1 million during the Reporting Period (2023: approximately RMB20.2 million), representing a decrease of RMB1.1 million as compared to the corresponding period in 2023.

Significant Investments

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

Future Plans for Material Investment and Capital Assets

During the Reporting Period, the Group has utilized and intends to utilise the net proceeds raised from the Global Offering for business expansion and working capital in the manner set out in the Prospectus and the Annual Report for the year ended 31 December 2023. Save as disclosed above, the Group did not have any future plans for material investments or capital assets as at 30 June 2024.

Material Acquisitions and Disposals of Subsidiaries, Associates or Joint Ventures

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE GROUP

Issue of Listed Securities

According to the 2023 annual results announcement of the Company published on 28 March 2024, the Board resolved to recommend payment of a final dividend HK$0.01 per ordinary share out of the share premium account of the Company for the year ended 31 December 2023 ("**2023 Finial Dividend**") to the Company's shareholders (the "**Shareholders**") whose names appear on the register of members of the Company on Wednesday, 26 June 2024, subject to the approval of the Shareholders at the annual general meeting held on Tuesday, 18 June 2024 and compliance with the Companies Act.

The Dividend will be payable in cash, with an option granted to the Shareholders to receive new and fully paid shares (the "**Scrip Shares**") in lieu of cash in whole but not in part under the Scrip Dividend Scheme. The Scrip Shares will, on issue, rank *pari passu* in all respects with Shares in issue on the date of the allotment and issue of the Script Shares except that they shall not be entitled to the Dividend. For details, please refer to the circular published on 15 July 2024.

Subsequent to the end of the Reporting Period, the Company issued 154,350 Scrip Shares to the Shareholders whose names appeared on the register of members of the Company on the record date, i.e. Wednesday, 26 June 2024. The Scrip Shares have been dealing on the Main Board of The Stock Exchange of Hong Kong Limited at 9:00 a.m. dated 15 August 2024.

Repurchase of Listed Securities

On 16 January 2024, the Company adopted a share award scheme (the "**Share Award Scheme**"). The objectives of the Share Award Scheme are: (i) to recognize the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group. The Share Award Scheme will purchase the existing Shares through the Trustee on the secondary market at the market trading price. The Share Award Scheme was contemplated and adopted to be funded solely by the existing Shares.

During the Reporting Period, the Trustee, as instructed by the Board, purchased a total of 230,000 Shares on the market from 24 January 2024 to 25 January 2024, representing approximately 0.038% of the total number of Shares of the Company in issue up to the Latest Practicable Date. The Trustee holds these Shares in accordance with to the Scheme Rules and the Trust Deed.

The Trustee, which is a professional entity licensed under the laws of Hong Kong to carry out the trustees services, a third party independent of and not connected with the Company and/or any of its connected persons, for the Share Award Scheme.

Save as disclosed above, neither the Company nor any of the its subsidiaries purchased, repurchased, sold or redeemed any of the listed securities of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 19 December 2023, Wenzhou Dehong Medical Management Co., Ltd. and Wenzhou Tianrui Medical Management Co., Ltd., wholly-owned subsidiaries of the Group, entered into share purchase agreements in relation to the acquisition of 98.5% equity interests in Yueqing Stomatological Hospital Co., Ltd, a private dental service provider, by way of acquisition of equity interests from its shareholders, Lin Chengyin and Wang Lianghua. As at the date of this announcement, the acquisition is completed and Yueqing Stomatological Hospital Co., Ltd has become an indirect owned subsidiary of the Company.

INTERIM DIVIDEND

The Board has resolved not to recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE ("THE CG CODE")

The Group is committed to preserving the high levels of corporate governance and business ethics and believes that conducting business in an ethical and reliable manner will optimize its long term interests and those of the Shareholders.

The Board has established and continuously strengthened the Group's purpose, values and strategies, and ensure alignment with the Group's culture. All Directors must act with integrity, lead by example, and promote the desired culture. Such culture should instill and continually reinforce across the organization values of acting lawfully, ethically and responsibly.

The core purpose of the Group is to create value for its Shareholders. The Group strives to become the leading pioneer in the industry of private dental services provider that is trusted by its patients, and a place where its employees are proud to work for. The mission of the Group is to lead the development of the industry and set the industry benchmarks. In this connection, the Group endeavours to provide to its employees, patients, Shareholders, the society, and the environment in a lawfully, ethically and responsibly way. These purpose and values shape the Group's strategy, which are geared towards building a trusted and top-hygiene private dental services provider whereby values for Shareholders are created.

The Group's purpose, values and strategies form the foundations of the Group's corporate culture. The Group's corporate culture is centered on adherence to high ethical standards and practices, and striving for sustainable development.

During the Reporting Period, the Company has applied and complied with all the code provisions of the CG Code as set out in Part 2 of Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), except from the deviation of the code provision C.2.1 of the CG Code.

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

Further information of the corporate governance practices of the Company will be set out in the corporate governance section in the interim report of the Company for the six months ended 30 June 2024.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in the Appendix C3 of the Listing Rules as its code of conduct governing regarding Directors' securities transactions. The Company had received written confirmation from all the Directors, each Director confirmed that he/she had strictly complied with the required standards set out in the Model Code during the Reporting Period. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Reporting Period.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three independent non-executive Directors, namely Mr. Ng Ming Chee (the chairman of the Audit Committee), Ms. Tam Hon Shan Celia and Dr. Zhou Jian. The Audit Committee is primarily responsible for reviewing and providing supervision over the financial reporting procedure and risk management and internal control system of the Company. The unaudited interim result of the Group for the six months ended 30 June 2024 and this announcement have been reviewed by the Audit Committee. The Audit Committee considers that appropriate accounting policies have been adopted, and the applicable requirements of Listing Rules have been complied with, in the preparation of relevant result, and sufficient disclosures have been made.

PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.meihaomedical.com. The Company's interim report for the six months ended 30 June 2024 will be dispatched to the Shareholders and published on the aforementioned websites in due course.

APPRECIATION

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

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

Hong Kong, 28 August 2024

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