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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 2022

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, the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”), together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	172,461	339,796
Cost of sales		(155,138)	(303,991)
Gross profit		17,323	35,805
Other income, gains and losses	4	2,733	7,207
Selling expenses		(9,937)	(10,187)
Administrative expenses		(31,594)	(30,835)
Research and development expenses		(25,813)	(6,382)
Listing expenses		–	(11,305)
Finance costs	5	(573)	(606)
(Impairment loss)/reversal of impairment losses on trade receivables		(726)	1,888
Loss before taxation	6	(48,587)	(14,415)
Income tax credit/(expense)	7	350	(1,847)
Loss for the period		(48,237)	(16,262)

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive (expense)/income			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes in equity instruments at fair value through other comprehensive income, net of income tax		<u>(3,631)</u>	<u>25,399</u>
Total comprehensive (expense)/income for the period		<u>(51,868)</u>	<u>9,137</u>
Loss for the period attributable to:			
— Owners of the Company		<u>(46,233)</u>	<u>(15,794)</u>
— Non-controlling interests		<u>(2,004)</u>	<u>(468)</u>
		<u>(48,237)</u>	<u>(16,262)</u>
Total comprehensive (expense)/income for the period attributable to:			
— Owners of the Company		<u>(49,864)</u>	<u>9,605</u>
— Non-controlling interests		<u>(2,004)</u>	<u>(468)</u>
		<u>(51,868)</u>	<u>9,137</u>
Losses per share			
— Basic losses per share (<i>RMB cents</i>)	9	<u>(24.88)</u>	<u>(9.01)</u>
— Diluted losses per share (<i>RMB cents</i>)	9	<u>(24.46)</u>	<u>(9.01)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30 June 2022	31 December 2021
		RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		5,635	6,808
Right-of-use assets		16,153	17,623
Equity instruments at fair value through other comprehensive income		18,293	22,565
Goodwill		3,115	3,115
Intangible assets		32,913	37,944
Deferred tax assets		1,629	619
Prepayments, deposits and other receivables		2,519	2,708
		80,257	91,382
Current assets			
Trade receivables	<i>10</i>	66,299	84,246
Contract costs		24,636	12,536
Tax recoverable		1,944	–
Prepayments, deposits and other receivables		5,420	3,707
Financial assets at fair value through profit or loss		60,500	9,500
Bank balances and cash		103,536	165,329
		262,335	275,318
Total assets		342,592	366,700

		30 June 2022	31 December 2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Audited)
LIABILITIES			
Current liabilities			
Trade payables	<i>11</i>	33,683	27,413
Interest-bearing bank borrowing		156	–
Contract liabilities		21,842	5,800
Other payables and accruals		15,445	14,436
Lease liabilities		18,924	9,525
Tax payable		–	96
		90,050	57,270
Net current assets		172,285	218,048
Total assets less current liabilities		252,542	309,430
Non-current liabilities			
Deferred tax liabilities		230	287
Lease liabilities		7,734	15,656
		7,964	15,943
Net assets		244,578	293,487
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		1	1
Reserves		236,203	283,108
		236,204	283,109
Non-controlling interests		8,374	10,378
Total equity		244,578	293,487

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

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 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) reviews the “operating loss” as presented below and the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment which mainly operates its businesses in the People’s Republic of China (“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	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
The Group’s loss before taxation	(48,587)	(14,415)
Add: Listing expenses	–	11,305
Less: Other income, gains and losses	<u>(2,733)</u>	<u>(7,207)</u>
Operating loss presented to the CODM	<u><u>(51,320)</u></u>	<u><u>(10,317)</u></u>

Revenue by service type as follows:

	Six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Medical conference services	111,288	208,510
Patient education and screening services	14,323	74,321
Marketing strategy and consulting services	41,287	51,046
Contract research organisation services	3,679	4,092
Internet hospital services	<u>1,884</u>	<u>1,827</u>
Total revenue	<u><u>172,461</u></u>	<u><u>339,796</u></u>

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

	Six months ended 30 June	
	2022	2021
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	172,240	339,288
Over time	<u>221</u>	<u>508</u>
Total revenue	<u><u>172,461</u></u>	<u><u>339,796</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	
	2022	2021
	(Unaudited)	(Unaudited)
Customer A (<i>Note (a)</i>)	20%	N/A
Customer B (<i>Note (a)</i>)	12%	N/A
Customer C (<i>Note (b)</i>)	N/A	24%

Notes:

- (a) The percentage of contribution is not applicable for Customer A and B as it contributed less than 10% of the total revenue for the six months ended 30 June 2021.
- (b) The percentage of contribution is not applicable for Customer C as it contributed less than 10% of the total revenue for the six months ended 30 June 2022.

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	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Within one year	387,548	374,813

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Foreign exchange gains, net	1,335	112
Bank interest income	244	243
Gain on fair value changes of financial assets at fair value through profit or loss	353	290
Government subsidy (<i>Note</i>)	–	5,080
Value added tax refund	729	1,441
Others	72	41
	2,733	7,207

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

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	<u>573</u>	<u>606</u>

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss before taxation has been carried at after charging:		
Auditor's remuneration		
— audit services	—	—
— non-audit services	470	1,021
Depreciation of property, plant and equipment	1,657	1,678
Depreciation of right-of-use assets	4,489	3,211
Amortisation of intangible assets (included in cost of sales)	5,031	4,283
Short-term lease payments	—	865
Staff costs:		
— Fee and salaries (including directors' remuneration)	32,964	23,997
— Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	3,001	2,190
— Social security costs, housing benefits and other employee benefits (including directors' social security costs, housing benefits and other benefits)	5,768	3,760
— Share-based compensation	2,959	9,707
	<u>44,692</u>	<u>39,654</u>

7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax	–	1,311
Under provision of taxation for previous years	<u>76</u>	<u>–</u>
	76	1,311
Deferred tax (credit)/expense	<u>(426)</u>	<u>536</u>
	<u>(350)</u>	<u>1,847</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 (“HNTE”) on 31 October 2018 and renewed the certificate on 17 December 2021, and the entity enjoyed the preferential tax rate of 15% for HNTE from 2018 to 2024. Another entity comprising the Group was approved to be the HNTE on 2 December 2019 and is eligible to enjoy the preferential tax rate for HNTE of 15% from 2019 to 2022. The HNTE certificate needs to be renewed every three years so as to enable to enjoy the reduced tax rate of 15%.

The Group enjoyed additional 75% tax reduction based on the eligible research and development expenses for both periods.

For the six months ended 30 June 2022, six (six months ended 30 June 2021: six) of the entities comprising the Group is qualified as small and micro-sized enterprises (SMEs) for tax reduction. For the first RMB1 million of annual taxable income is eligible for 87.5% (six months ended 30 June 2021: 75%) reduction and the income between RMB1 million and RMB3 million is eligible for 50% (six months ended 30 June 2021: 50%) reduction at the applicable EIT tax rate of 20% (six months ended 30 June 2021: 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 2022 and 2021.

8. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2022. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9. LOSSES PER SHARE

Basic losses per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares during the period.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Losses attributable to owners of the Company	<u>(46,233)</u>	<u>(15,794)</u>
Weighted average number of ordinary shares in issue in the basic losses per share calculation (in thousands)	185,802	175,198
Effect of conversion of unvested restricted share units (“RSUs”) (in thousands)	<u>3,181</u>	<u>–</u>
Weighted average number of ordinary shares in issue in the diluted losses per share calculation (in thousands)	<u>188,983</u>	<u>175,198</u>
Losses per share attributable to the owners of the Company		
— Basic losses per share (RMB cents)	<u>(24.88)</u>	<u>(9.01)</u>
— Diluted losses per share (RMB cents)	<u>(24.46)</u>	<u>(9.01)</u>

10. TRADE RECEIVABLES

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Receivables from third parties	70,369	87,590
Less: allowance for credit losses	(4,070)	(3,344)
	<u>66,299</u>	<u>84,246</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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Within 90 days	60,262	79,839
91 days to 180 days	5,857	4,007
181 days to 365 days	180	400
	<u>66,299</u>	<u>84,246</u>

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Neither past due nor impaired	60,262	79,839
0–90 days past due	5,857	4,007
Over 90 days past due	180	400
	<u>66,299</u>	<u>84,246</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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Payables to third parties	33,683	27,413

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Up to 90 days	23,920	21,721
91 days to 180 days	2,005	1,539
181 days to 360 days	4,165	1,873
Over 360 days	3,593	2,280
	33,683	27,413

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In the first half of 2022, the Group's medical marketing service business faced unprecedented difficulties across China due to the continuous lockdown in many provinces in response to the severe pandemic. Although a significant decline in revenue was recorded, the Group has already started to build up its medical digital marketing construction since 2021, laying the foundation for the rapid development of the Group's business in the future.

While the Group has continued to support the stroke centers and chest pain centers nationwide, it has also focused on the huge demand for primary healthcare. In line with the standardisation of diagnosis and treatment as well as re-education of doctors, the Group has continued to deliver the value of quality medical marketing services. With the significant increase in demand for digital management of patients with chronic illnesses in the out-of-hospital context, the Group has been committed to developing an iterative digital healthcare management platform to provide customers with more efficient medical digital marketing and service solutions.

As of June 2022, the Group has developed and iterated multiple digital marketing platforms and products in the medical field, including the Giraffe Smart Medical Platform, Digital Patient Management Platform, E Conference, Giraffe Live, Deer Class, E Creation, E Insight and other products. Such platforms and products enabled the Group to provide customers with customised digital marketing solutions in the medical field. With the implementation of these solutions, as at 30 June 2022, the digital platforms have enrolled 384,965 registered doctor users, held 46,518 online education sessions with doctors and 25,687 online education sessions for patients, livestreamed 4,855 times, with 6,319 videos available and viewed by 1,086,328 visitors.

The Group has sustained its effort to develop and expand its online healthcare platforms to cater for the increasing needs of various stakeholders in the medical field, including hospitals, doctors, patients as well as pharmaceutical and medical equipment companies. The Group's online healthcare platform, on top of providing doctors and patients with 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 2022, the number of its registered doctor and patient users has reached 45,244 and 200,545, representing an increase of 69.9% and 321.2%, respectively, as compared to those as at 30 June 2021.

OUTLOOK

Plans for the Group's development in the second half of 2022:

1. Continue to enhance the scale of digital marketing business

In the second half of the year, utilising its internal and external strengths and resources, the Group will focus more on customer development for digital marketing in the healthcare market built upon integrated medical marketing services, providing new customer groups with targeted, convergent and efficient solutions for digital medicine and marketing and delivering the latest medical technology and knowledge to more target customers. At the same time, the Group will sustain its effort to build a digital platform with precise access targeting doctors and patients, providing customers with integrated digital and intelligent marketing solutions using a digital integrated marketing system synergised by both offline and online channels, so as to create a closed loop for the whole process of digital operation.

2. With the rise of the innovative biopharmaceutical industry in China, the Group will continue to optimise its products and services and leverage the favorable health policy environment and its own resources to maintain revenue growth of its professional medicine and marketing services in the traditional cardiovascular and cerebrovascular discipline, with a focus on expanding its business in the fields of oncology and chronic renal diseases to increase the coverage of customers from domestic enterprises.

3. Explore and optimise the online healthcare platform and business model

The Group will continue to upgrade its online healthcare platform and work with well-known internet companies to enhance its internal system in terms of blockchain technology to protect information security and user privacy. The Group will continue to explore the out-of-hospital special disease management model, under which health records, online consultation, e-prescription/online drug purchase, care plan/follow-up plan, health education video/graphics and other services are provided to doctors and patients. The Group will also explore the application of artificial intelligence technology to build a closed-loop business model from inside to outside hospitals.

Facing the impact of the pandemic in 2022, the Group will continue to maintain its business scale in the traditional dominant therapeutic fields, and actively drive innovation in order to seize the opportunities arising from the rapid growth in demand for medical digital marketing and online healthcare for its steady development. While actively generating profits under its efficient operation, the Group persistently expands and develops its business model and scale to create greater value for more customers, doctors and patients.

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; and (iii) marketing strategy and consulting services. In addition, the Group developed and generated revenue from contract research organization (“CRO”) services and internet hospital services.

The Group’s revenue decreased by approximately 49.2% from approximately RMB339.8 million for the six months ended 30 June 2021 to approximately RMB172.5 million for the six months ended 30 June 2022. 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			
	2022		2021	
	(RMB’000)		(RMB’000)	
Medical conference services	111,288	64.5%	208,510	61.4%
Marketing strategy and consulting services	41,287	23.9%	51,046	15.0%
Patient education and screening services	14,323	8.3%	74,321	21.9%
CRO services	3,679	2.1%	4,092	1.2%
Internet hospital services	1,884	1.2%	1,827	0.5%
Total	<u>172,461</u>	<u>100.0%</u>	<u>339,796</u>	<u>100.0%</u>

Medical Conference Services

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

Revenue from medical conference services decreased by approximately 46.6% from approximately RMB208.5 million for the six months ended 30 June 2021 to approximately RMB111.3 million for the six months ended 30 June 2022, primarily due to the short term lock-down in various provinces of the People’s Republic of China (“PRC”) in the first half of 2022 caused by the 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 19.0% from approximately RMB51.0 million for the six months ended 30 June 2021 to approximately RMB41.3 million for the six months ended 30 June 2022 due to the economic slowdown caused by the prolonged COVID-19 pandemic.

Patient Education and Screening Services

Patient education and screening services of the Group allow patients to administer better self-care and disease control, which will lower the burden on the healthcare system in the long run. Revenue from patient education and screening services decreased by approximately 80.8% from approximately RMB74.3 million for the six months ended 30 June 2021 to approximately RMB14.3 million for the six months ended 30 June 2022 due to the short-term lock-down in various provinces of the PRC in the first half of 2022.

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 9.8% from approximately RMB4.1 million for the six months ended 30 June 2021 to approximately RMB3.7 million for the six months ended 30 June 2022 due to the economic slowdown caused by the prolonged COVID-19 pandemic.

The Group has developed the mobile platforms, Mediwelcome Doctor+ (麥迪衛康醫加) and Doctor+ for Doctor (醫加醫生端), to provide internet hospital services. Currently, physicians’ existing patients can schedule online follow-up consultations, obtain e-prescriptions and purchase medicine through the platform. Revenue from internet hospital services increased by approximately 5.6% from approximately RMB1.8 million for the six months ended 30 June 2021 to approximately RMB1.9 million for the six months ended 30 June 2022, primarily attributable to the increase in the number of active patient users purchasing prescribed medicine through the Group’s internet hospital platform. The number of active patient users increased from 6,918 as at 30 June 2021 to 8,523 as at 30 June 2022.

Cost of sales

The Group's cost of sales which mainly represents speaker fees paid to physicians, venue costs and staff costs decreased by approximately 49.0% from approximately RMB304.0 million for the six months ended 30 June 2021 to approximately RMB155.1 million for the six months ended 30 June 2022, 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 decreased by approximately RMB18.5 million from approximately RMB35.8 million for the six months ended 30 June 2021 to approximately RMB17.3 million for the six months ended 30 June 2022, which was generally in line with the decrease in the Group's revenue. The Group's overall gross profit margin slightly decreased from 10.5% for the six months ended 30 June 2021 to 10.0% for the six months ended 30 June 2022, primarily due to the increase in the sales mix of online medical conference services which have lower profit margin as compared to other service types.

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 grants, bank interest income and value-added tax refund. The Group's other income, gains and losses decreased by approximately 62.5% from approximately RMB7.2 million for the six months ended 30 June 2021 to approximately RMB2.7 million for the six months ended 30 June 2022, primarily attributable to the one-off government subsidy of approximately RMB5.0 million granted in 2021 in connection with the successful listing of the shares of the Company (the “Share(s)”) on the Main Board (the “Listing”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 19 January 2021 (the “Listing Date”).

Selling expenses

Selling expenses mainly consist of transportation expenses, salaries, share-based compensation expenses, performance bonuses and employee benefits expenses for the sales and marketing and business development expenses. The Group's selling expenses decreased by approximately 2.9% from approximately RMB10.2 million for the six months ended 30 June 2021 to approximately RMB9.9 million for the six months ended 30 June 2022, primarily due to the implementation of cost control to reduce general expenses in response to the significant decrease in sales.

Administrative expenses

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, professional consulting fees, share-based compensation expenses, depreciation and other miscellaneous administrative expenses. The Group's administrative expenses increased by approximately 2.6% from approximately RMB30.8 million for the six months ended 30 June 2021 to approximately RMB31.6 million for the six months ended 30 June 2022, primarily due to the increase in office related expenses as a result of the overall expansion of the Group, which was partially net off by the decrease in recognition of share-based compensations.

Research and development expenses

The Group's research and development expenses increased by approximately 303.1% from approximately RMB6.4 million for the six months ended 30 June 2021 to approximately RMB25.8 million for the six months ended 30 June 2022, mainly due to the increase in the Group's research and development expenses to carry out the research and development projects, including digital marketing solutions, digital medical solutions, and development of an artificial intelligent online platform.

Listing expenses

The Group did not record any listing expenses for the six months ended 30 June 2022 (30 June 2021: approximately RMB11.3 million).

Finance costs

Finance costs mainly represent the interest expense on lease liabilities. The Group's finance costs had no material change, which amounted to approximately RMB0.6 million for the six months ended 30 June 2021 and 2022.

Income tax (credit)/expense

The Group recorded income tax credit of approximately RMB0.4 million for the six months ended 30 June 2022 as compared with income tax expense of approximately RMB1.8 million for the six months ended 30 June 2021, primarily due to the decrease in operating profit from the entities of the Group in the PRC.

Loss for the period

The Group's loss for the period increased by approximately 195.7% from approximately RMB16.3 million for the six months ended 30 June 2021 to approximately RMB48.2 million for the six months ended 30 June 2022 due to the net effects of (i) the significant decrease in the Group's revenue and gross profit by approximately RMB167.3 million and RMB18.5 million, respectively, primarily attributable to the short-term lock-down in various provinces of the PRC in the first half of 2022; (ii) the decrease in government subsidy by approximately RMB5.0 million; and (iii) the increase in research and development expenses by approximately RMB19.4 million to carry out the research and development projects, including digital marketing solutions, digital medical solutions, and development of an artificial intelligent online platform.

Other comprehensive (expense)/income

The Group recorded other comprehensive expense of approximately RMB3.6 million for the six months ended 30 June 2022 as compared with other comprehensive income of approximately RMB25.4 million for the six months ended 30 June 2021, primarily due to the recognition of unrealised fair value loss on the Group's investment in unlisted equity securities during the Reporting Period.

Trade receivables

Trade receivables represent outstanding amounts due from customers for services that the Group has provided in the ordinary course of business. The Group's trade receivables decreased from approximately RMB84.2 million as at 31 December 2021 to approximately RMB66.3 million as at 30 June 2022 due to the significant decrease in the Group's sales as a result of the short-term lock-down in various provinces of the PRC in the first half of 2022.

Trade payables

Trade payables mainly represent the balances due to suppliers for the procurement of goods and services used for the Group's service offerings, such as travel and lodging services, presentation materials, venue set-up, rental services and video production services. The Group's trade payables increased from approximately RMB27.4 million as at 31 December 2021 to approximately RMB33.7 million as at 30 June 2022 as the lock-down in various provinces of the PRC in the first half of 2022 delayed the payment process of the Group.

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. The financial products the Group held as at 30 June 2022 had an expected rate of return ranging from 2.21% to 3.21% per annum depending on the returns of the derivatives.

As at 30 June 2022, the fair value of the Group's financial assets at FVTPL was approximately RMB60.5 million, details of which are summarised below:

Issuer	Name of wealth management products	Fair value	Size as
		as at 30 June 2022	compared to
		RMB'000	the Company's
			total assets
			as at 30 June 2022
China Guangfa Bank Co., Ltd.	Xingfulicai (“幸福理財”幸福添利系列人民幣理財計劃)	14,000	4.1%
China Zheshang Bank Co., Ltd.	Shengxinying C-1 (升鑫贏C-1號)	11,000	3.2%
China CITIC Bank	Riyingxiang Tiantianli 1-C (日盈象天天利1號C款)	8,000	2.3%
Bank of Beijing Co., Ltd.	Xinxi Series Jinghua Wealth Management Scheme (心喜系列人民幣京華尊享理財管理計劃)	8,000	2.3%
China Guangfa Bank Co., Ltd.	Guangyinanfu Xingfuliujin Wealth Management Scheme (“廣銀安富”幸福鑒金一日添薪人民幣理財計劃)	5,000	1.5%
Everbright Wealth Management Co., Ltd.	CEB Cash A (光銀現金A)	5,000	1.5%
Bank of Beijing Co., Ltd.	Jihua Yuanjian Institutional Yitaojin Wealth Management Scheme (京華遠見機構易淘金理財管理計劃)	4,000	1.2%
China Minsheng Bank Co., Ltd.	Minsheng Guizhu (貴竹固收增利理財)	4,000	1.2%
China Merchants Bank Co., Ltd.	Ririxin 80008 (日日鑫80008號)	1,500	0.4%

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

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 2022, the Group had net current assets of approximately RMB172.3 million, as compared with net current assets of approximately RMB218.0 million as at 31 December 2021.

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 2022, the Group had bank balances and cash of approximately RMB103.5 million, representing a decrease of 37.4% from approximately RMB165.3 million as at 31 December 2021. The Group's principal sources of liquidity and capital resources are cash from operating activities. The Group monitors cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity that can meet its working capital needs while supporting a healthy level of business scale and expansion.

Indebtedness

The Group's indebtedness represents lease liabilities. As at 30 June 2022, the Group, as a lessee, had outstanding current and non-current lease liabilities of approximately RMB26.7 million as compared with approximately RMB25.2 million as at 31 December 2021. The lease liabilities represent payment for the right to use underlying assets, which was unsecured and unguaranteed.

As at 30 June 2022, the Group had outstanding bank borrowings of approximately RMB0.2 million (31 December 2021: nil), which was unsecured and unguaranteed. All borrowings charged with reference to the floating interest rate of Loan Prime Rate of PRC. All borrowings are denominated in Renminbi.

As at 30 June 2022, the Group had available unutilised banking facilities of approximately RMB9.8 million (31 December 2021: nil).

The Group's gearing ratio (calculated as total bank and other borrowings divided by total equity) as at 30 June 2022 was 0.1% (31 December 2021: nil).

Capital expenditures

As at 30 June 2022, capital expenditures of the Group decreased to approximately RMB484,000 for the six months ended 30 June 2022 as compared with approximately RMB23.2 million for the six months ended 30 June 2021. These capital expenditures were related to (i) purchases of property, plant and equipment; and (ii) expenses for research and development activities capitalised as intangible assets. The Group is expected to incur expenses to develop computer and mobile software and platforms for its internet hospital services which may be capitalised. These expenses will be financed by the net proceeds from the Global Offering (as defined in the prospectus of Company dated 31 December 2020, the "**Prospectus**") in the manner consistent with that as mentioned in the section headed "Future Plans and Use of Proceeds" in the Prospectus and cash flow from operating activities.

Capital structure

There has been no change in the capital structure of the Company since the Listing.

As at 30 June 2022, the total number of issued Shares was 200,000,000.

Foreign exchange risk

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

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

Contingent liabilities

As at 30 June 2022, the Group did not have any material contingent liabilities (31 December 2021: nil).

Pledge of assets

As at 30 June 2022, the Group did not pledge any of its assets (31 December 2021: nil).

Human resources

As at 30 June 2022, the Group had 427 employees (30 June 2021: 411 employees) as a result of the increase in headcount due to the development of overall expansion of the Group's services. For the six months ended 30 June 2022, the staff cost recognised as expenses of the Group amounted to approximately RMB44.7 million, representing an increase of approximately 12.6% from approximately RMB39.7 million for the six months ended 30 June 2021. The increase was mainly attributable to the increase in proportion of employees with higher income, increase in headcounts, and increase in salaries to retain the talents.

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

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

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

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Save as disclosed in the Prospectus, the Group had no other future plans for material investments or capital assets as at 30 June 2022.

EVENTS AFTER REPORTING PERIOD

There were no significant events after 30 June 2022 and up to date of this announcement.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited interim results of the Group and the interim report of the Company for the six months ended 30 June 2022. The Audit Committee and the Company's management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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

DIRECTORS' SECURITIES TRANSACTIONS

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

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

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

DIVIDEND

The Board resolved not to declare the payment of any interim dividend in respect of the six months ended 30 June 2022 (2021: 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 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

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

Hong Kong, 30 August 2022

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