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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

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) (“**Mediwelcome**” or the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	3	432,291	427,159
Cost of sales		<u>(335,978)</u>	<u>(332,291)</u>
Gross profit		96,313	94,868
Other income, gains and losses	4	3,337	3,339
Selling expenses		(10,380)	(6,377)
Administrative expenses		(41,950)	(34,196)
Research and development expenses		(14,012)	(11,589)
Listing expenses		(9,054)	(13,605)
Finance costs	5	(896)	(309)
Impairment losses on trade receivables		(1,030)	(6,113)
Other expenses		<u>(47)</u>	<u>(46)</u>
Profit before taxation	6	22,281	25,972
Income tax expense	7	<u>(302)</u>	<u>(3,915)</u>
Profit for the year		21,979	22,057
Other comprehensive income/(loss)			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes in equity instruments at fair value through other comprehensive income		<u>4,212</u>	<u>(3,839)</u>
Total comprehensive income for the year		<u>26,191</u>	<u>18,218</u>
Profit for the year attributable to:			
– Owners of the Company		21,042	20,852
– Non-controlling interests		<u>937</u>	<u>1,205</u>
		<u>21,979</u>	<u>22,057</u>
Total comprehensive income for the year attributable to:			
– Owners of the Company		25,254	17,013
– Non-controlling interests		<u>937</u>	<u>1,205</u>
		<u>26,191</u>	<u>18,218</u>
Earnings per share			
– Basic and diluted earnings per share (RMB cents)	9	<u>14.03</u>	<u>13.90</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		7,763	6,048
Right-of-use assets		21,723	4,023
Equity instruments at fair value through other comprehensive income		16,826	12,614
Goodwill		3,115	3,115
Intangible assets		23,159	21,454
Deferred tax assets		2,098	1,685
Prepayments, deposits and other receivables		2,808	646
		<u>77,492</u>	<u>49,585</u>
Current assets			
Trade receivables	10	78,447	71,719
Contract costs		11,086	4,421
Prepayments, deposits and other receivables		8,165	12,214
Financial assets at fair value through profit or loss		15,900	17,900
Bank balances and cash		88,990	73,642
		<u>202,588</u>	<u>179,896</u>
Total assets		<u>280,080</u>	<u>229,481</u>
LIABILITIES			
Current liabilities			
Trade payables	11	26,153	27,357
Contract liabilities		28,713	30,346
Other payables and accruals		25,834	16,523
Lease liabilities		2,104	3,794
Tax payable		2,628	5,471
		<u>85,432</u>	<u>83,491</u>
Net current assets		<u>117,156</u>	96,405
Total assets less current liabilities		<u>194,648</u>	145,990
Non-current liabilities			
Deferred tax liabilities		329	815
Lease liabilities		23,323	370
		<u>23,652</u>	1,185
Net assets		<u>170,996</u>	<u>144,805</u>

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
EQUITY		
Capital and reserves attributable to owners of the Company		
Share capital	1	1
Reserves	<u>161,174</u>	<u>135,920</u>
	<u>161,175</u>	<u>135,921</u>
Non-controlling interests	<u>9,821</u>	<u>8,884</u>
Total equity	<u><u>170,996</u></u>	<u><u>144,805</u></u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION, HISTORY OF THE GROUP, REORGANISATION AND BASIS OF PRESENTATION

Mediwelcome Healthcare Management & Technology Inc. (the “**Company**”) was incorporated under the laws of the Cayman Islands with limited liability on 21 February 2019. The registered office is located at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands and its principal place of business in Hong Kong is located at Room 2204, 22/F, Fu Fai Commercial Centre, 27 Hillier Street, Hong Kong. The shares of the Company (“**Shares**”) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 19 January 2021 (the “**Listing Date**”).

The Company is ultimately controlled by Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang (collectively referred to as the “**Controlling Parties**”), who are also parties acting in concert, and as a result of contractual arrangements, collectively have the power to direct the relevant activities of the Group.

For the purpose of listing (“**Listing**”) the Shares on the Stock Exchange, the entities in the Group have undergone a series of reorganisation steps to rationalise the group structure (the “**Reorganisation**”). As part of the Reorganisation, Beijing Medi Healthcare Management Consulting Co. Ltd.* (“**WFOE**”) entered into a series of agreements with Mediwelcome Beijing Healthcare Technology Co. Ltd.* (“**Mediwelcome Beijing**”) and the registered shareholders of Mediwelcome Beijing (“**Registered Shareholders**”) in order for the WFOE to exercise and maintain control over the operation of Mediwelcome Beijing and its subsidiaries (“**Mediwelcome Beijing Group**”) and to obtain economic benefits from Mediwelcome Beijing Group, preventing any leakage of assets and values to the Registered Shareholders on 5 July 2019 (“**Contractual Arrangements**”). Details of the history of the Group and Reorganisation and Contractual Arrangements are set out in the Company’s prospectus dated 31 December 2020 in the section headed “History and Reorganisation” and “Contractual Arrangements” respectively.

The Reorganisation completed on 5 July 2019. The Group comprising the Company, Mediwelcome Investment Management Company Limited, Mediwelcome (HK) Investment Management Company Limited, WFOE and Mediwelcome Beijing Group has always been under the common control of the Controlling Parties before and after the Reorganisation. Therefore, it is regarded as a continuing entity and the consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2019 and 2020 which include the financial performance, changes in equity and cash flows of the Group have been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the reporting periods, or since their respective dates of incorporation/establishment/acquisition, where is a shorter period.

The consolidated statements of financial position of the Group as at 31 December 2019 and 2020 have been prepared using the principles of merger accounting to present the assets and liabilities of the Group at the carrying amounts shown in the financial statements of the group entities which had been in existence at those dates, taking into account their respective dates of incorporation/establishment/acquisition, where applicable as if the current group structure had been in existence throughout the reporting periods, or since their respective dates of incorporation/establishment/acquisition, where is a shorter period.

2. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2020 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2019, unless otherwise stated.

* *for identification purpose only*

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which includes all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The 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 financial assets at fair value through other comprehensive income which are carried at fair value at subsequent reporting dates.

Adoption of new and revised HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2020, the Group has applied, for the first time, the following revised standards issued by the HKICPA.

The Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, in the preparation of the consolidated financial statements for the year ended 31 December 2020, the Group has early applied the Amendments to HKFRS 16 *Covid-19 – Related Rent Concessions* (“**Amendments to HKFRS 16**”), which are mandatorily effective for annual reporting periods beginning on or after 1 June 2020.

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Early adoption of Amendment to HKFRS 16 COVID-19 – Related Rent Concessions

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 outbreak. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 outbreak and only if: (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the year, certain monthly lease payments for the leases of the Group’s offices and warehouses have been reduced or waived by the lessors as a result of the COVID-19 outbreak and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 outbreak during the year. Accordingly, a reduction in the lease payments arising from the rent concessions of RMB474,000 has been accounted for as a variable lease payment by derecognising part of the lease liabilities and crediting to profit or loss for the year ended 31 December 2020.

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020	1 January 2022

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (“CODM”) reviews the “operating profit” 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.

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
The Group’s profit before taxation	22,281	25,972
Add: Listing expenses	9,054	13,605
Less: Other income	(3,337)	(3,339)
Operating profit presented to the CODM	<u>27,998</u>	<u>36,238</u>

Revenue by service type as follows:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Medical conference services	256,947	282,262
Patient education and screening services	80,905	72,782
Marketing strategy and consulting services	88,598	67,622
Contract research organisation services	5,403	4,482
Internet hospital services	438	11
	<hr/>	<hr/>
Total revenue	432,291	427,159
	<hr/> <hr/>	<hr/> <hr/>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Timing of revenue recognition		
At a point in time	431,473	426,873
Over time	818	286
	<hr/>	<hr/>
Total revenue	432,291	427,159
	<hr/> <hr/>	<hr/> <hr/>

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

	2020	2019
Customer A	16%	31%
	<hr/> <hr/>	<hr/> <hr/>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within one year	329,479	179,818
	<hr/> <hr/>	<hr/> <hr/>

4. OTHER INCOME, GAINS AND LOSSES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Foreign exchange (loss)/gain, net	(7)	3
(Loss)/gain on disposal of property, plant and equipment	(34)	2
Bank interest income	304	466
Gain on fair value changes of financial assets at fair value through profit or loss	418	627
Government subsidy (<i>Note (a)</i>)	880	1,193
Value added tax refund	1,180	1,041
COVID-19 related rent concessions (<i>Note (b)</i>)	474	–
Others	122	7
	<u>3,337</u>	<u>3,339</u>

Notes:

- (a) Amount represented subsidy on the Group's business development without any specific conditions attached to the subsidy.
- (b) The amount represents rental concession from the landlords in relation to the compensation of lockdown of the PRC cities due to COVID-19 pandemic for the year ended 31 December 2020. The Group elected not to apply lease modification by applying practical expedient that meets the conditions in paragraph 46B of the HKFRS 16 *Leases*.

5. FINANCE COSTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interest expense on lease liabilities	<u>896</u>	<u>309</u>

6. PROFIT BEFORE TAXATION

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation has been carried at after charging:		
Auditor's remuneration	1,094	335
Depreciation of property, plant and equipment	3,173	2,666
Depreciation of right-of-use assets	7,457	5,352
Amortisation of intangible assets (included in cost of sales)	7,079	2,711
Short-term lease payments	570	683
Staff costs:		
– Fee and salaries (including directors' remuneration)	49,187	42,538
– Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	526	3,839
– Social security costs, housing benefits and other employee benefits (including directors' social security costs, housing benefits and other benefits)	8,035	7,916
	<u>57,748</u>	<u>54,293</u>

7. INCOME TAX EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current tax	1,517	4,966
(Over)/under provision of taxation for previous years	<u>(316)</u>	<u>43</u>
	1,201	5,009
Deferred tax	<u>(899)</u>	<u>(1,094)</u>
	<u><u>302</u></u>	<u><u>3,915</u></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 years 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 years.

Two of the entities comprising the Group was approved to be the High and New Technology Enterprise (“**HNTE**”) on 10 September 2018 and 31 October 2018 respectively, and they enjoyed the preferential tax rate of 15% for HNTE. Mediwelcome Beijing has been qualified to be HNTE on 2 December 2019 and enjoyed the preferential tax rate in 2019. The HNTE certificate needs to be renewed every three years so as to enable to enjoy the reduced tax rate of 15% from 2018 to 2021.

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

One of the entities comprising the Group is qualified for the tax exemption from 2017 to 2020 for its operation in the Horgos Economic Development Zone (the “**HEDZ**”). For both years, the income generated from this subsidiary is fully exempted from EIT.

For the year ended 31 December 2020, five (2019: four) 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 75% reduction and the income between RMB1 million and RMB3 million is eligible for 50% reduction at the applicable EIT tax rate of 20% for both years.

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 years.

(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 31 December 2019 and 2020.

8. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2020 (2019: Nil).

9. EARNINGS PER SHARE

The calculations of basic earnings per share are based on the profit of approximately RMB21,042,000 (2019: RMB20,852,000) for the year attributable to owners of the Company and the weighted average of 150,000,000 (2019: 150,000,000) shares in issue during the year.

The 150,000,000 shares used to calculate the basic earnings per share for the years ended 31 December 2020 and 2019 represents the number of shares of the Company immediately prior to the Listing as if the shares had been in issue throughout the years ended 31 December 2020 and 2019.

Diluted earnings per share were same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years ended 31 December 2020 and 2019.

10. TRADE RECEIVABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Receivables from third parties	89,403	81,645
Less: allowance for credit losses	<u>(10,956)</u>	<u>(9,926)</u>
	<u>78,447</u>	<u>71,719</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:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 90 days	68,466	71,319
91 days to 180 days	7,481	400
181 days to 365 days	<u>2,500</u>	<u>–</u>
	<u>78,447</u>	<u>71,719</u>

11. TRADE PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Payables to third parties	26,153	27,357

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Up to 90 days	24,359	25,243
91 days to 180 days	510	1,089
181 days to 360 days	871	849
Over 360 days	413	176
	26,153	27,357

12. EVENTS AFTER THE REPORTING PERIOD

On 19 January 2021, the shares of the Company were listed on the Stock Exchange. In connection with the listing completed on 19 January 2021, the Company issued a total of 50,000,000 ordinary shares at a price of HK\$3.00 per share for a total proceeds (before related share issuance costs) of HK\$150,000,000.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Mediwelcome maintained a positive growth momentum in 2020. The Group's total revenue reached RMB432.3 million, representing an increase of 1.2% as compared to 2019.

At the beginning of 2020, through its Mediwelcome Doctor+ (麥迪衛康醫加) healthcare platform, the Group came to notice that millions of stroke patients were unable to receive treatments or attend follow-up consultations physically at hospitals due to the outbreak of the COVID-19 pandemic. In view of this situation, the Group promptly launched a campaign called "Fight COVID-19 together – Health Guardian Action" (共抗疫情–健康守護者行動) jointly with Chinese Stroke Association (中國卒中學會). Under this campaign, the Group provided its diagnosis, rescue and treatment services to millions of cardio-cerebral vascular diseases ("CCVD") patients to ensure these patients have regular and timely care and offered its assistance and guidance to high risk groups for stroke prevention. In the second half of 2020, Mediwelcome entered into a strategic partnership with CSPC Pharmaceutical Group Limited, pursuant to which, the Group launched the "Standardized Stroke Patients' Outpatient Management Project" (卒中患者標準化院外管理項目) to provide one-stop outpatient management solution to patients after discharge from hospitals which covers consultation services, follow-up visits, re-examinations, e-prescriptions and home delivery of drugs. At present, the geographical coverage of this project includes 10 provinces in China and is still expanding. Also, a standardized stroke patients' outpatient management system has been set up to meet the needs of stroke patients for continuous and professional "prescription + follow-up + examination" care services.

In order to satisfy the demand of physicians for academic pursuits and continuous education and the demand of patients for disease knowledge and healthcare education, Mediwelcome joined forces with non-governmental organizations ("NGOs") to launch online and offline educational programs for physicians and patients. It is worth noting that the 6th Annual Academic Scientific Session of Chinese Stroke Association and Tiantan International Stroke Conference 2020 (CSA & TISC 2020) (中國卒中學會第六屆學術年會暨天壇國際腦血管病會議2020), which was held in an online + offline format, attracted approximately 150,000 physician enrollments. On 29 October 2020, being the World Stroke Day, the Group provided free-of-charge online healthcare consultation and diagnosis services via its medical platform to support Chinese Stroke Association in the launch of a national campaign called "2020 World Stroke Day National Health Popular Science Volunteer Action" (2020年世界卒中日全國健康科普志願行動).

Internet medical services are one of the key directions of development of the Group. Quality physician resources provide assurance of capability of rendering internet medical services. The Group acquires professional and quality physician resources via its WeChat public account, Mediwelcome Doctor+ (麥迪衛康醫加), which is used by patients, and a mobile application, Doctor+ for Doctors (醫加醫生端), which is used by physicians, for the provision of disease management services to patients. As at 31 December 2020, Doctor+ for Doctors (醫加醫生端) had 18,781 registered physicians, representing an increase of over 60 times as compared with 2019, and Mediwelcome Doctor+ (麥迪衛康醫加) had 25,874 patients, representing an increase of over 20 times as compared with 2019.

Outlook

Mediwelcome will continuously integrates internal and external resources with its differentiated advantages, constantly provides customized digital solutions with proven efficiency and efficacy to its customers. Based on the integration and optimization of the existing business modules, as well as in-depth mining of its healthcare data over years of accumulation, Mediwelcome will establish its own digital healthcare platform to empower its existing business model, and create its own innovative product and service system for its customers.

Mediwelcome will keep exploring to develop internet hospital business and healthcare management services based on digital healthcare platforms to create an innovative digital healthcare business model. Based on the real-world data and its experience covering the entire journey of patients, Mediwelcome will further explore the unmet needs of stakeholders in the healthcare industry to define and establish a comprehensive healthcare service system covering disease prevention and screening, diagnosis and treatment, rehabilitation and healthcare management. It will contain multiple innovative healthcare management tools, products and customized services for patients before admission to the hospital, receiving in-ward treatment, and after discharged from the hospital, including but not limited to genetic testing, disease screening, auxiliary diagnosis and treatment, digital medical treatment, healthcare education prescription, disease rehabilitation, doctor assistant, insurance service, enterprise customer health management, etc. It is also critical for the Group to introduce talents that specialized in healthcare technology, as well as managing and marketing professionals. With joint efforts of the Group's internal and external stakeholders, Mediwelcome expects to establish an innovative healthcare ecosystem by leveraging its inherent advantages.

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 also began to generate revenue from contract research organization (“CRO”) services and internet hospital services in late 2019.

The Group's revenue increased by approximately 1.2% from RMB427.2 million for the year ended 31 December 2019 to RMB432.3 million for the year ended 31 December 2020. The following table sets forth a breakdown of the Group's revenue by service type for the years indicated:

	For the year ended 31 December			
	2020		2019	
	<i>(RMB'000)</i>		<i>(RMB'000)</i>	
Medical conference services	256,947	59.5%	282,262	66.1%
Patient education and screening services	80,905	18.7%	72,782	17.1%
Marketing strategy and consulting services	88,598	20.5%	67,622	15.8%
CRO services	5,403	1.2%	4,482	1.0%
Internet hospital services	438	0.1%	11	0.0%
Total	432,291	100.0%	427,159	100.0%

Medical conference services

Revenue from medical conference services decreased by approximately 9.0% from RMB282.3 million for the year ended 31 December 2019 to RMB256.9 million for the year ended 31 December 2020, primarily due to the decrease in the revenue generated from medical conventions. As the scale of the Group's medical convention, including the 2020 Tiantan International Stroke Conference (2020天壇國際腦血管病會議), has diminished amid the COVID-19 outbreak, there was a reduction in both the number of onsite attendees and the designated areas for sponsoring enterprises to set up booths and host seminars. As a result, there was a corresponding decrease in service fees from medical NGOs and sponsorship fees from sponsoring enterprises.

Patient education and screening services

Revenue from patient education and screening services increased by approximately 11.1% from RMB72.8 million for the year ended 31 December 2019 to RMB80.9 million for the year ended 31 December 2020 as the Group has successfully shifted most of its onsite patient education and screening services to its online platforms. In addition, the Group recognized revenue of RMB10.7 million in 2020 under a large-scale project with a contract value of RMB28.5 million, which started in the second half of 2019 and continued in the first half of 2020.

Marketing strategy and consulting services

Revenue from marketing strategy and consulting services increased by approximately 31.1% from RMB67.6 million for the year ended 31 December 2019 to RMB88.6 million for the year ended 31 December 2020 due to the expansion of the Group's customer base.

CRO services and internet hospital services

The Group began in late 2019 to offer CRO services which primarily consist of patients' recruitment and clinical data collection services, and internet hospital services which mainly provide online follow up consultations to the physicians' existing patients and e-prescription service.

As at 31 December 2020, the Group had entered into several CRO service contracts on a fee-for-service basis with a total contract value of RMB31.9 million. Revenue from CRO services increased by approximately 20.0% from RMB4.5 million for the year ended 31 December 2019 to RMB5.4 million for the year ended 31 December 2020 due to the increase in CRO service contracts entered into by the Group, which was generally in line with the development and expansion of the Group's CRO services.

The Group has developed a mobile platform, including a WeChat public account and a mobile application, 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 amounted to RMB0.4 million for the year ended 31 December 2020, representing the increasing number of active patient users purchasing prescribed medicine through the Group's internet hospital platform.

Cost of sales

The Group's cost of sales increased slightly by approximately 1.1% from RMB332.3 million for the year ended 31 December 2019 to RMB336.0 million for the year ended 31 December 2020, which was generally in line with the increase in the Group's revenue.

Gross profit and gross profit margin

As a result of the foregoing, the Group's overall gross profit increased slightly by approximately RMB1.4 million from RMB94.9 million for the year ended 31 December 2019 to RMB96.3 million for the year ended 31 December 2020, and the Group's overall gross profit margin remained stable at 22.3% and 22.2% for the year ended 31 December 2020 and 2019, respectively.

Other income, gains and losses

The Group's other income, gains and losses remained stable at RMB3.3 million for the years ended 31 December 2020 and 2019, respectively, representing the increase in value added tax refund as a result of a value added tax preferential tax policy enacted in April 2020 as an economy stimulus in response to the COVID-19 outbreak, and the rental concession from landlords in relation to the compensation for lockdown of the PRC cities due to the COVID-19 pandemic, partially offset by the decrease in government subsidy and gains from investment in financial products.

Selling expenses

The Group's selling expenses increased by approximately 62.5% from RMB6.4 million for the year ended 31 December 2019 to RMB10.4 million for the year ended 31 December 2020, primarily due to the increase in staff costs and travel and business development expenses in relation to the development of the Group's new internet hospital services.

Administrative expenses

The Group's administrative expenses increased by approximately 22.8% from RMB34.2 million for the year ended 31 December 2019 to RMB42.0 million for the year ended 31 December 2020, primarily due to the increase in office related expenses as the Group expanded its business, especially the internet hospital services.

Research and development expenses

The Group's research and development expenses increased by approximately 20.7% from RMB11.6 million for the year ended 31 December 2019 to RMB14.0 million for the year ended 31 December 2020, representing the increase in salary in the Group's research and development team primarily due to the launch of the Group's internet hospital services.

Listing expenses

The Group recorded listing expenses of RMB13.6 million and RMB9.1 million for the years ended 31 December 2019 and 2020, respectively.

Finance costs

The Group's finance costs increased by approximately 200% from RMB0.3 million for the year ended 31 December 2019 to RMB0.9 million for the year ended 31 December 2020, primarily attributable to the increase in interest expense on lease liabilities due to higher office rent, which was in line with the Group's office expansion.

Income tax expense

The Group recorded income tax expense of RMB0.3 million for the year ended 31 December 2020 as compared with income tax expense of RMB3.9 million for the year ended 31 December 2019, primarily due to the net loss recorded in the first half of 2020 and the tax effect of additional tax reduction for eligible research and development expenses of certain PRC operating entities of the Group.

Profit for the year

As a result of the foregoing, the Group's profit for the year decreased by approximately 0.5% from RMB22.1 million for the year ended 31 December 2019 to RMB22.0 million for the year ended 31 December 2020.

Other comprehensive income/loss

The Group recorded other comprehensive income of RMB4.2 million for the year ended 31 December 2020, representing an increase of approximately 210.5% as compared with other comprehensive loss of RMB3.8 million for the year ended 31 December 2019, primarily due to the unrealized fair value gains on the Group's investment in unlisted equity securities.

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 increased from RMB71.7 million as of 31 December 2019 to RMB78.4 million as of 31 December 2020, which was generally in line with the Group's revenue growth during the Reporting Period.

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 and rental services and video production services. The Group's trade payables decreased from RMB27.4 million as of 31 December 2019 to RMB26.2 million as of 31 December 2020 as the Group has been shifting its business to online platforms, resulting in the decrease in amounts payable to third party suppliers.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Net current assets

As at 31 December 2020, the Group had net current assets of RMB117.2 million, as compared with net current assets of RMB96.4 million as at 31 December 2019.

Cash and bank balances

Net cash generated from operating activities amounted to RMB31.1 million for the year ended 31 December 2020 as compared with net cash generated from operating activities of RMB4.5 million for the year ended 31 December 2019. Net cash used in investing activities for the year ended 31 December 2020 amounted to RMB11.0 million as compared with net cash used in investing activities of RMB24.5 million for the year ended 31 December 2019. Net cash used in financing activities amounted to RMB4.8 million for the year ended 31 December 2020 as compared with net cash used in financing activities of RMB5.6 million for the year ended 31 December 2019.

The Group's bank balances and cash 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 31 December 2020, the Group had bank balances and cash of RMB89.0 million, representing an increase of approximately 20.9% from RMB73.6 million as at 31 December 2019. 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 31 December 2020, the Group, as a lessee, had outstanding current and non-current lease liabilities of RMB25.4 million as compared with RMB4.2 million as at 31 December 2019. The lease liabilities represent payment for the right to use underlying assets, which is unsecured and unguaranteed.

As at 31 December 2020, the Group did not enter into any banking facility agreement and had no unutilized banking facilities. As a result, the Group's gearing ratio (calculated as total bank and other borrowings divided by total equity) as at 31 December 2020 was nil.

Capital expenditures

As at 31 December 2020, capital expenditures of the Group remained relatively stable at RMB13.8 million for the year ended 31 December 2020 as compared with RMB13.0 million for the year ended 31 December 2019. These capital expenditures were related to (i) purchases of property, plant and equipment; and (ii) expenses for research and development activities capitalized 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 capitalized. These expenses will be financed by net proceeds from the global offering of the Company (the "Global Offering") and cash flow from operating activities.

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group's functional currency. 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 currency 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 31 December 2020, the Group did not have any material contingent liabilities.

Pledge of assets

As at 31 December 2020, the Group did not pledge any of its assets.

Human resources

As at 31 December 2020, the Group had 392 employees as compared with 407 employees as at 31 December 2019 as a result of the decrease in headcount due to (i) the outbreak of the COVID-19 pandemic in the first half of 2020; and (ii) the required number of employees has reduced as the Group shifts its business to online platforms. For the year ended 31 December 2020, the staff cost recognised as expenses of the Group amounted to RMB57.7 million, representing an increase of approximately 6.3% from RMB54.3 million for the year ended 31 December 2019. The increase was mainly attributable to the increase in proportion of employees with higher income and the one-off compensations paid by the Group on termination of employment.

The Group is committed to establishing 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 a restricted share unit 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 of the Company dated 31 December 2020 (the "**Prospectus**"). Further information will be set out in the annual report of the Company for the year ended 31 December 2020.

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

The Company's shares were listed on the Main Board of the Stock Exchange on 19 January 2021. Therefore, 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 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

Net proceeds from the Global Offering

In connection with the Listing, the Company allotted and issued 50,000,000 ordinary shares with a par value of HK\$0.00001 each at a price of HK\$3.00 per ordinary share on 19 January 2021. The net proceeds from the Global Offering received by the Company, after deduction of the underwriting fees, commissions and estimated expenses payable by the Company in connection with the Global Offering amounted to HK\$82.6 million.

The Company intends to apply such net proceeds for the following purposes: (i) approximately 58%, or approximately HK\$47.9 million, will be used to broaden the Group's customer base, disease area coverage and patient base; (ii) approximately 25%, or approximately HK\$20.7 million, will be used to complement the Group's service capabilities through the development of internet hospital services; (iii) approximately 12%, or approximately HK\$9.9 million, will be used for working capital and general corporate purposes; and (iv) approximately 5%, or approximately HK\$4.1 million, will be used to further expand the Group's CRO services.

Please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus for further details on the Company's intended use of the net proceeds from the Global Offering.

Lapse of Over-allotment Option

As disclosed in the Prospectus, the Company granted the International Underwriters (as defined in the Prospectus) an over-allotment option (the "**Over-allotment Option**") to allot and issue up to 7,500,000 additional shares in connection with the Global Offering. The Over-allotment Option was not exercised and had lapsed on 7 February 2021. Accordingly, no shares were or will be issued under the Over-allotment Option.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its shareholders as a whole. The Company has adopted the code provisions set out in the Corporate Governance Code (the “**Corporate Governance Code**”) as contained in Appendix 14 to the Listing Rules.

As the Company was listed on the Main Board of the Stock Exchange on 19 January 2021, the Corporate Governance Code was not applicable to the Company during the Reporting Period. The Company has complied with all the applicable code provisions set out in the Corporate Governance Code throughout the period from the Listing Date up to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as contained in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Directors. Relevant employees who are likely to be in possession of unpublished inside information of the Group are also subject to compliance with written guidelines on no less exacting terms than the Model Code.

As the Company was listed on the Main Board of the Stock Exchange on 19 January 2021, the Model Code was not applicable to the Company during the Reporting Period. Having made specific enquiry to all Directors, all Directors confirmed that they have complied with the Model Code throughout the period from the Listing Date up to the date of this announcement.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend in respect of the year ended 31 December 2020.

ANNUAL GENERAL MEETING

It is proposed that an annual general meeting of the Company (the “**AGM**”) will be held on Friday, 25 June 2021. A notice convening the AGM will be published and despatched to the shareholders of the Company (the “**Shareholders**”) in the manner required by the articles of association of the Company and the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of ascertaining the Shareholders’ eligibility to attend and vote at the AGM, the Company’s register of members will be closed during the following period:

Latest time to lodge transfer documents for registration..... 4:30 p.m. on
Monday, 21 June 2021

Closure of register of members Tuesday, 22 June 2021 to
Friday, 25 June 2021 (both days inclusive)

For the purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the "**Audit Committee**") comprised three independent non-executive Directors, namely Mr. Yang Xiaoxi (chairman), Mr. Fei John Xiang and Mr. Song Ruilin. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2020. 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.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 set out in this announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mediwelcome.com). The annual report of the Company for the year ended 31 December 2020 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, 26 March 2021

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