Medi Welcome
麦迪卫康

麥迪衛康健康醫療管理科技股份有限公司
MEDIWELCOME HEALTHCARE MANAGEMENT & TECHNOLOGY INC.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2159

INTERIM REPORT 2023

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors:

Mr. Shi Wei *(Chairman)*
Mr. Yang Weimin
Mr. Wang Liang *(Chief Executive Officer)*
Mr. Wang Wei
Mr. Sui Huijun

Non-executive Directors:

Ms. Zhang Yitao
Mr. Liu Xia

Independent Non-executive Directors:

Mr. Song Ruilin
Mr. Fei John Xiang
Mr. David Zheng Wang
Mr. Yang Xiaoxi

AUDIT COMMITTEE

Mr. Yang Xiaoxi *(Chairman)*
Mr. Song Ruilin
Mr. Fei John Xiang

REMUNERATION COMMITTEE

Mr. Fei John Xiang *(Chairman)*
Mr. Song Ruilin
Mr. David Zheng Wang

NOMINATION COMMITTEE

Mr. Shi Wei *(Chairman)*
Mr. Fei John Xiang
Mr. David Zheng Wang

JOINT COMPANY SECRETARIES

Ms. Zhao Luyang
Ms. Tsoi Siu Wai

AUTHORIZED REPRESENTATIVES

Mr. Shi Wei
Ms. Tsoi Siu Wai

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HEADQUARTERS

10/F–12/F, Parkview Place
2 East 4th Ring Road, Chaoyang District
Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

35/F
Central Plaza
18 Harbour Road
Wanchai, Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman KY1-9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Moore Stephens CPA Limited
Certified Public Accountants and Registered Public Interest Entity Auditor
801–806 Silvercord, Tower 1
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

LEGAL ADVISER

As to Hong Kong Law:
Sidley Austin
Level 39
Two International Finance Centre
8 Finance Street
Central, Hong Kong

PRINCIPAL BANK

Bank of Communications Yuhui East Road Branch
1/F, Yayun Garden
12 Xiaoying Road
Chaoyang District
Beijing
PRC

STOCK CODE

2159

WEBSITE

www.mediwelcome.com

Business Highlights

The figures below are the results for the six months ended 30 June 2023 (the "**Reporting Period**"):

New Revenue income — Digital marketing and sales solutions services

RMB **6.1** million

New revenue income

Registered Physicians

reached **49,307**

increased from 2022 by approximately **9.0** %

Registered Patients

reached **263,882**

increased from 2022 by approximately **31.6**%

Online Consultation

reached **314,086**

increased from 2022 by approximately **48.6** %

In light of the weak recovery of the global economy, the economic situation of the People's Republic of China (the "**PRC**") continued to face enormous challenges in the first half of 2023. In particular, due to the impact of the global pandemic, the recovery of the economy in the PRC has been slow, and changes in market demand have become more complex and volatile. However, after the end of the pandemic, Mediwelcome Healthcare Management & Technology Inc. (the "**Company**") and its subsidiaries (the "**Group**", "**we**", "**us**" or "**our**") started to see the gradual recovery of offline business and some progress has been made. As such, we were able to continue to consolidate and develop the traditional advantages of the Company, laying a solid foundation for us to achieve even greater success in the digital economy.

Believing that challenges are opportunities, the Group has continued to optimise its business model and strategies to adapt to the rapid changes and development of the market in such a volatile economic environment. Through continuous enhancement of its medical digital marketing capabilities, strengthening of strategic cooperation with a number of domestic and overseas enterprises and organisations, and development of forward-looking digital healthcare projects, the Group has maintained its competitive edge in the industry. We recognise that the digital economy has become a key driving force for innovation and development, so we are not only continuing to build on our existing strengths, but are also actively seeking innovative business models to provide smarter and more convenient healthcare services to our customers.

At the same time, the Group has been exploring the direction of industry development and actively responding to the digital transformation strategy proposed by the PRC government by integrating resources and internal and external strengths. We firmly believe that through digitalisation, the healthcare industry can achieve more efficient, intelligent and sustainable development. As such, we have been actively expanding our partnerships and introducing advanced technologies to create more value for our customers and the market.

Despite the complex market environment and economic challenges, the Group always puts customers' needs first and continues to innovate and improve. We believe that through our unremitting efforts, the Group will be able to continue to maintain its leading position in the industry, provide excellent healthcare services to our customers, and bring more energy and vitality to the market.

In terms of the promotion of the pharmaceutical market and medical services, we have learned valuable experience from the successful endeavours in the treatment fields of cardiovascular and cerebrovascular diseases, respiratory diseases, and diabetes. With the continuous advancement of medical technology and the diversification of patient needs, we have actively expanded our business areas to cover fields including but not limited to oncology, rare diseases, growth hormones, gynaecology. Through in-depth research and development in different fields, we provide doctors and patients with more diversified and precise medical services and information to meet the needs of different patient groups. We firmly believe that through continuous innovation and expansion, we can better serve the medical industry and bring more health and well-being to patients.

Business Review

The Group remained committed to platform integration in respect of medical digitalization. Based on the self-developed products such as Digital Patient Management, E-Conferences, Live Conferences, programs via the "LOOOKE (鹿課)" platform, E Creation (E創), E Insight (E洞察), etc., the Group introduced the artificial intelligence generated content (AIGC) technology since the end of 2022 and integrated it into the Giraffe Smart Medical Platform. Through this strategic initiative, we have successfully built a cluster of doctors covering a wide range of specialties to provide innovative, efficient and high-quality solutions to our clients. Meanwhile, at the end of 2022, we grandly launched the Collaboration Platform for Clinical Scientific Research of Giraffe Medical Research Society to build a solid academic and scientific research system, with an aim to meet the needs of relevant stakeholders of the medical industry in the specialized disease areas, including hospitals, doctors, patients as well as pharmaceutical and medical equipment companies, providing them with precise clinical research and academic practice services. In the first half of 2023, the upgraded versions of these two platforms have effectively promoted the expansion of the doctor user cluster, while expanding the field of specialized disease and attracting input from all parties in the medical industry. It is worth mentioning that at an important industry conference at the end of June 2023, we presented the results of these newly built platforms to doctors in the industry, fully demonstrating the huge potential brought by these platforms.

As at 30 June 2023, the Group's platforms have enrolled 488,891 registered doctor users, held 54,196 online education sessions with doctors and 26,489 online education sessions for patients, livestreamed 9,659 times, with 17,223 videos available and viewed by 1,638,361 visitors. In addition, 468,836 pieces of academic content were produced, including professional medical and patient education.

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. Our online healthcare platform, on top of providing doctors and patients with convenient online medical service by offering consistent and quality online medical service solutions, has also actively developed products and services of digital management for patients with chronic illnesses in the out-of-hospital context. As at 30 June 2023, the number of its registered doctor and patient users reached 49,307 and 263,882, representing an increase of 9.0% and 31.6%, respectively, as compared to those as at 30 June 2022. This achievement demonstrates our proactive efforts to continue to expand in the field of online healthcare and the significant results we have achieved.

OUTLOOK

Plans for the Group's development in the second half of 2023:

1. Continuous expansion of business scale

   In the second half of 2023, with the upgrade and promotion of the Giraffe Smart Medical Platform and the Collaboration Platform for Clinical Scientific Research of Giraffe Medical Research Society, the popularity of these platforms in the industry will continue to increase. By providing customers with innovative technical support and precise, integrated and efficient digital solutions, our advantages can be reflected in practical applications. Our comprehensive digital platform capabilities allow us to meet the different needs of customers in multiple therapeutic areas through customized platforms. We will provide more accurate, integrated and efficient digital medical and marketing solutions to our customers, and deliver the latest medical technology and knowledge to more target customers.

   At the same time, we will continue our efforts to build a digital platform with precise access targeting doctors and patients, providing customers with integrated digital and intelligent solutions to create a closed-loop digital operation synergised by both offline and online channels throughout the process. Our goal is to continuously promote the digital transformation of the medical industry, provide more efficient services, meet customer needs, and achieve continuous expansion of business scale.

2. Innovation and expansion

   In terms of innovation and expansion, in view of the rise of the innovative biopharmaceutical industry in the PRC, the Group will continue to optimize its products and services, and make full use of the favourable healthcare policy environment and its own resource advantages. We will strengthen cooperation with corporate customers such as innovative biological companies, and provide them with strong support en route to commercialization.

   This initiative aims to fully seize the opportunity of the rapid rise of the innovative biopharmaceutical industry in the PRC, and provide support for corporate customers to gain an advantage in market competition by providing high-quality products and services. At the same time, we will pay close attention to the changes and development of healthcare policies to ensure that our products and services are aligned with the policy environment to maximize value for our customers. We firmly believe that with such efforts, the Group will continue to make positive contributions to the development of the innovative biopharmaceutical industry while achieving its own business growth and sustainable development.

3. Continuous exploration and innovation

   The Group is committed to continuously upgrading the construction of its online healthcare platform and co-operating with renowned internet companies to enhance the Company's internal system in terms of blockchain technology to protect information security and user privacy. At the same time, the Group will continue to explore the innovative 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 and graphics and other services are provided to doctors and patients. On top of this basis, the Group will also explore the application of artificial intelligence technology to build a closed-loop business model from inside to outside hospitals.

   The Group fully utilizes the industry's superior resources and extensive experience, introduces innovative technologies and smart devices, and empowers the Giraffe Smart Medical Platform and Collaboration Platform for Clinical Scientific Research of Giraffe Medical Research Society. 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. Through continuous exploration and innovation, the Group will continue to lead the digital transformation and development of the healthcare industry.

In general, in the second half of 2023, the Group will actively embrace the opportunities brought by the rapid growth of medical digitalization and online healthcare demand while continuing to maintain its business scale in traditionally dominant therapeutic fields. Through innovation, the Group has been able to capitalise on these opportunities and make steady progress. While aiming to generate profits under its efficient operation, the Group persistently explores, expands and develops its business model and scale. These efforts will in turn create greater value for more customers, doctors and patients, further consolidating and expanding the influence of the Group.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the Group primarily generated revenue from its integrated healthcare marketing solutions, consisting of (i) medical conference services; (ii) patient education and screening services; (iii) marketing strategy and consulting services; (iv) contract research organisation ("**CRO**") services; and (v) internet hospital services. In addition, the Group developed and generated revenue from digital marketing and sales solutions services.

The Group's revenue decreased by approximately 14.8% from approximately RMB172.5 million for the six months ended 30 June 2022 to approximately RMB146.9 million for the Reporting Period. The following table sets forth a breakdown of the Group's revenue by service type for the periods indicated:

	For the six months ended 30 June			
	2023		2022	
	(RMB'000)		*(RMB'000)*	
Medical conference services	**71,592**	**48.7%**	111,288	64.5%
Marketing strategy and consulting services	**58,927**	**40.1%**	41,287	23.9%
Digital marketing and sales solutions services	**6,102**	**4.2%**	–	–
CRO services	**5,908**	**4.0%**	3,679	2.1%
Patient education and screening services	**2,781**	**1.9%**	14,323	8.3%
Internet hospital services	**1,613**	**1.1%**	1,884	1.2%
Total	**146,923**	**100.0%**	172,461	100.0%

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 35.7% from approximately RMB111.3 million for the six months ended 30 June 2022 to approximately RMB71.6 million for the Reporting Period, primarily attributable to the scaling-down of projects with lower profits margin as part of the Group's business strategy.

Management Discussion and Analysis

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 increased by approximately 42.7% from approximately RMB41.3 million for the six months ended 30 June 2022 to approximately RMB58.9 million for the Reporting Period due to the recovery of demand for marketing strategy and consulting services and certain projects of the Group that were scheduled to be completed last year have been delayed to the Reporting Period after the prolonged COVID-19 pandemic.

Digital Marketing and Sales Solutions Services

During the Reporting Period, the Group utilised its own newly developed digital marketing integration platform to assist pharmaceutical companies in formulating and implementing effective digital marketing and sales solutions. The Group provides customised digital marketing solutions based on the different forms and life cycle of customer products in order to reduce marketing costs, improve coverage efficiency, and reach users precisely. Revenue from digital marketing and sales solutions services was approximately RMB6.1 million for the Reporting Period.

Patient Education and Screening Services

Patient education and screening services of the Group allow patients to administer better self-care and disease control, which will lower the burden on the healthcare system in the long run. Revenue from patient education and screening services decreased by approximately 80.6% from approximately RMB14.3 million for the six months ended 30 June 2022 to approximately RMB2.8 million for the Reporting Period, primarily attributable to the scaling-down of projects with lower profits margin as part of the Group's business strategy.

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 mainly provides online follow-up consultations to the physicians' existing patients and e-prescription service.

Revenue from CRO services increased by approximately 60.6% from approximately RMB3.7 million for the six months ended 30 June 2022 to approximately RMB5.9 million for the Reporting Period due to the recovery of demand for CRO services after 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 was approximately RMB1.6 million for the Reporting Period, which remained stable as compared to approximately RMB1.9 million for the six months ended 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 17.5% from approximately RMB155.1 million for the six months ended 30 June 2022 to approximately RMB128.0 million for the Reporting Period, which was generally in line with the decrease in the Group's revenue.

Gross profit and gross profit margin

As a result of the foregoing, the Group's overall gross profit increased by approximately RMB1.6 million from approximately RMB17.3 million for the six months ended 30 June 2022 to approximately RMB18.9 million for the Reporting Period. The Group's overall gross profit margin slightly increased from 10.0% for the six months ended 30 June 2022 to 12.9% for the Reporting Period, primarily due to the Group's business strategy to concentrate on projects with higher profits margin.

Other income, gains and losses

Other income, gains and losses mainly consist of foreign exchange gains, net, gains on fair value changes of financial assets at fair value through profit or loss ("**FVTPL**"), government subsidy, bank interest income and value-added tax refund. The Group's other income, gains and losses increased by approximately 15.3% from approximately RMB2.7 million for the six months ended 30 June 2022 to approximately RMB3.2 million for the Reporting Period, primarily attributable to the increase of value added tax refund during the Reporting Period.

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 increased by approximately 15.9% from approximately RMB9.9 million for the six months ended 30 June 2022 to approximately RMB11.5 million for the Reporting Period, primarily due to the increase in staff costs caused by increase in proportion of employees with higher income and increase in salaries to retain the talents.

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 decreased by approximately 5.1% from approximately RMB31.6 million for the six months ended 30 June 2022 to approximately RMB30.0 million for the Reporting Period, primarily due to the decrease in office related expenses as a result of the cost saving strategy of the Group, which was partially net off by the increase in staff cost.

Research and development expenses

The Group's research and development expenses decreased by approximately 24.1% from approximately RMB25.8 million for the six months ended 30 June 2022 to approximately RMB19.6 million for the Reporting Period, mainly due to the reduction in expenses incurred during the Reporting Period in relation to digital marketing solutions, digital medical solutions, and the development of an artificial intelligent online platform, as the research and development of the current version of the platform have reached the final stage.

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 2022 and approximately RMB0.8 million for the Reporting Period.

Income tax expense/(credit)

The Group recorded income tax expense of approximately RMB14,000 for the Reporting Period as compared with income tax credit of approximately RMB0.4 million for the six months ended 30 June 2022, primarily due to the underprovision for income tax expense for the six months ended 30 June 2022.

Loss for the period

The Group's loss for the period decreased by approximately 21.1% from approximately RMB48.2 million for the six months ended 30 June 2022 to approximately RMB38.0 million for the Reporting Period due to the net effects of (i) the increase in the Group's gross profit by approximately RMB1.6 million as the Group concentrated on projects with higher profits margin; and (ii) the decrease in research and development expenses by approximately RMB6.3 million.

Other comprehensive loss

The Group's other comprehensive loss decreased by approximately 55.7% from approximately RMB3.6 million for the six months ended 30 June 2022 to approximately RMB1.6 million for the Reporting Period, primarily due to the decrease in 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 RMB76.7 million as at 31 December 2022 to approximately RMB56.3 million as at 30 June 2023 due to the significant decrease in the Group's sales as a result of the scaling-down of projects with lower profits margin as part of the Group's business strategy.

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 decreased from approximately RMB34.0 million as at 31 December 2022 to approximately RMB24.9 million as at 30 June 2023, which was generally in line with the decrease in the Group's revenue.

FVTPL

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 2023 had an expected rate of return ranging from 2.2% to 4.2% per annum depending on the returns of the derivatives.

As at 30 June 2023, the fair value of the Group's financial assets at FVTPL was approximately RMB57.6 million, details of which are summarised below:

Issuer	Name of wealth management products	Fair value as at 30 June 2023 *RMB'000*	Size as compared to the Company's total assets as at 30 June 2023
China Guangfa Bank Co., Ltd.	Xingfulicai ("幸福理財"系列人民幣理財計劃)	12,000	4.1%
BoB Wealth Management Co., Ltd.	Jihua Yuanjian (京華遠見固收)	12,000	4.1%
CMB Wealth Management Co., Ltd.	Zhaorui 3 (招睿3號理財)	11,400	3.9%
China CITIC Bank	Riyingxiang Tiantianli 1-C (日盈象天天利1號C款)	8,000	2.7%
Boc Wealth Management Co., Ltd.	Wenfu Zhouzhoukai (穩富週週開)	5,000	1.7%
China Zheshang Bank Co., Ltd.	Yongle 3 (永樂3號理財)	5,000	1.7%
Everbright Wealth Management Co., Ltd.	CEB Cash A (光銀現金A)	4,000	1.4%
China Merchants Bank Co., Ltd.	Ririxin 80008 (日日鑫80008號)	200	0.1%

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 and financial institutions.

Management Discussion and Analysis

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 2023, the Group had net current assets of approximately RMB114.0 million, as compared with net current assets of approximately RMB143.2 million as at 31 December 2022.

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 2023, the Group had bank balances and cash of approximately RMB94.5 million, representing a decrease of approximately 31.8% from approximately RMB138.6 million as at 31 December 2022. The Group's bank balances and cash were denominated in Renminbi and Hong Kong dollars. The Group's principal sources of liquidity and capital resources are cash from operating activities. The Group monitors cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity that can meet its working capital needs while supporting a healthy level of business scale and expansion.

Indebtedness

The Group's indebtedness represents lease liabilities and bank borrowings. As at 30 June 2023, the Group, as a lessee, had outstanding current and non-current lease liabilities of approximately RMB13.4 million as compared with approximately RMB17.4 million as at 31 December 2022. The lease liabilities represent payment for the right to use underlying assets, which was unsecured and unguaranteed.

As at 30 June 2023, the Group had outstanding bank borrowings of approximately RMB24.8 million (31 December 2022: RMB9.1 million), which was unsecured, unguaranteed and repayable within 12 months. All borrowings are charged with reference to the floating interest rate of Loan Prime Rate of the PRC and denominated in Renminbi.

As at 30 June 2023, the Group had available unutilised banking facilities of approximately RMB17.1 million (31 December 2022: RMB22.9 million).

The Group's gearing ratio (calculated as total bank and other borrowings divided by total equity) as at 30 June 2023 was 15.3% (31 December 2022: 4.5%).

Capital expenditures

Capital expenditures of the Group decreased to approximately RMB364,000 for the Reporting Period as compared with approximately RMB484,000 for the six months ended 30 June 2022. These capital expenditures were related to purchases of property, plant and equipment. 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 (the "**Listing**") of the Company's ordinary shares (the "**Share(s)**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). As at 30 June 2023, 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 2023, the Group did not have any material contingent liabilities (31 December 2022: nil).

Pledge of assets

As at 30 June 2023, the Group did not pledge any of its assets (31 December 2022: nil).

Human resources

As at 30 June 2023, the Group had 419 employees (30 June 2022: 427 employees). For the Reporting Period, the staff cost recognised as expenses of the Group amounted to approximately RMB48.7 million, representing an increase of approximately 9.0% from approximately RMB44.7 million for the six months ended 30 June 2022. The increase was mainly attributable to the increase in proportion of employees with higher income 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 2023.

EVENTS AFTER REPORTING PERIOD

There were no significant events after 30 June 2023 and up to date of this report.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

The Group had not provided any financial assistance or guarantee to affiliated companies during the Reporting Period.

FINANCIAL INSTRUMENTS FOR HEDGING PURPOSES

The Group did not use any financial instruments for hedging purposes during the Reporting Period.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

In connection with the Global Offering, 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, after deduction of the underwriting fees, commissions and expenses, were approximately HK$78.8 million (the "**Net Proceeds**"). The Group intended to use the Net Proceeds as follows: (i) approximately 58% will be used to broaden the Group's customer base, disease area coverage and patient base; (ii) approximately 25% will be used to complement the service capabilities through the Group's development of internet hospital services; (iii) approximately 12% will be used for the Group's working capital and general corporate purposes; and (iv) approximately 5% will be used to further expand the Group's CRO services. As of 30 June 2023, an analysis of the utilisation of Net Proceeds is as follows:

Use of Net Proceeds as stated in the Prospectus	Approximate % of Net Proceeds	Net Proceeds *(HK$ million)*	Beginning unutilized balance as at 1 January 2023 *(HK$ million)*	Actual amount utilized during the Reporting Period *(HK$ million)*	Remaining unutilized balance as at 30 June 2023 *(HK$ million)*	Expected timeline for full utilization
To broaden the Group's customer base, disease area coverage and patient base	58%	45.7	16.3	7.2	9.1	By 31 December 2023
To complement the Group's service capabilities through the development of its internet hospital services	25%	19.7	10.0	3.1	6.9	By 31 December 2023
Working capital and general corporate purposes	12%	9.5	3.1	1.9	1.2	By 31 December 2023
To develop the Group's CRO services, including recruiting a team of experienced personnel	5%	3.9	1.8	1.1	0.7	By 31 December 2023
	100%	78.8	31.2	13.3	17.9	

The unused Net Proceeds have been placed as interest-bearing deposits with licensed banks in Hong Kong and the PRC in accordance with the intention of the board (the "**Board**") of directors (the "**Director(s)**") of the Company as disclosed in the Prospectus. The expected timeline for full utilization is based on the Directors' best estimation barring unforeseen circumstances. The actual timing for utilising the Net Proceeds may change.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	**146,923**	172,461
Cost of sales		**(128,017)**	(155,138)
Gross profit		**18,906**	17,323
Other income, gains and losses, net	4	**3,150**	2,733
Selling expenses		**(11,513)**	(9,937)
Administrative expenses		**(29,974)**	(31,594)
Research and development expenses		**(19,594)**	(25,813)
Finance costs	5	**(752)**	(573)
Reversal of impairment losses/(Impairment losses) on trade receivables		**1,746**	(726)
Loss before taxation	6	**(38,031)**	(48,587)
Income tax (expense)/credit	7	**(14)**	350
Loss for the period		**(38,045)**	(48,237)
Other comprehensive loss			
Item that will not be reclassified to profit or loss:			
Fair value change of equity investments at fair value through other comprehensive income		**(1,608)**	(3,631)
Total comprehensive loss for the year		**(39,653)**	(51,868)
Loss for the period attributable to:			
— Owners of the Company		**(35,611)**	(46,233)
— Non-controlling interests		**(2,434)**	(2,004)
		(38,045)	(48,237)
Total comprehensive loss for the period attributable to:			
— Owners of the Company		**(37,219)**	(49,864)
— Non-controlling interests		**(2,434)**	(2,004)
		(39,653)	(51,868)
Losses per share			
— Basic losses per share *(RMB cents)*	9	**(18.60)**	(24.88)
— Diluted losses per share *(RMB cents)*	9	**(18.60)**	(24.46)

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	*10*	**3,812**	4,968
Right-of-use assets	*10*	**7,078**	10,434
Equity instruments at fair value through other comprehensive income	*11a*	**14,263**	16,154
Intangible assets	*10*	**25,691**	30,561
Deferred tax assets		**1,412**	1,407
Prepayments, deposits and other receivables	*12*	**4,721**	3,036
		56,977	66,560
Current assets			
Trade receivables	*13*	**56,323**	76,690
Contract costs		**20,548**	18,032
Tax recoverable		**–**	814
Prepayments, deposits and other receivables	*12*	**1,736**	1,709
Financial assets at fair value through profit or loss	*11b*	**57,600**	15,450
Fixed time deposits	*14*	**3,688**	–
Bank balances and cash		**94,523**	138,571
		234,418	251,266
Total assets		**291,395**	317,826

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
LIABILITIES			
Current liabilities			
Trade payables	*15*	**24,880**	34,021
Borrowings		**24,795**	9,089
Contract liabilities		**51,473**	37,051
Other payables and accruals	*16*	**14,686**	19,009
Lease liabilities		**4,566**	8,906
		120,400	108,076
Net current assets		**114,018**	143,190
Total assets less current liabilities		**170,995**	209,750
Non-current liabilities			
Deferred tax liabilities		**266**	405
Lease liabilities		**8,823**	8,486
		9,089	8,891
Net assets		**161,906**	200,859
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital	*17*	**1**	1
Reserves		**158,502**	195,021
		158,503	195,022
Non-controlling interests		**3,403**	5,837
Total equity		**161,906**	200,859

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company												
	Share capital *RMB'000* *(Note 17)*	Share premium *RMB'000*	Shares held for RSU Scheme *RMB'000*	Shareholder contribution *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Fair value reserve *RMB'000*	Other reserve *RMB'000*	Share-based compensations *RMB'000*	Retained earnings *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
As at 1 January 2023 (Audited)	1	98,602	–*	–*	37,878	16,121	(3,984)	54,216	1,474	(9,286)	195,022	5,837	200,859
Loss for the period	–	–	–	–	–	–	–	–	–	(35,611)	(35,611)	(2,434)	(38,045)
Other comprehensive expense	–	–	–	–	–	–	(1,608)	–	–	–	(1,608)	–	(1,608)
Total comprehensive expense for the period	–	–	–	–	–	–	(1,608)	–	–	(35,611)	(37,219)	(2,434)	(39,653)
Share-based compensation — Value of employee services *(Notes 6 and 18)*	–	–	–	–	–	–	–	–	700	–	700	–	700
As at 30 June 2023 (Unaudited)	1	98,602	–*	–*	37,878	16,121	(5,592)	54,216	2,174	(44,897)	158,503	3,403	161,906

	Attributable to owners of the Company												
	Share capital *RMB'000* *(Note 17)*	Share premium *RMB'000*	Shares held for RSU Scheme *RMB'000*	Shareholder contribution *RMB'000*	Capital reserve *RMB'000*	Statutory reserve *RMB'000*	Fair value reserve *RMB'000*	Other reserve *RMB'000*	Share-based compensations *RMB'000*	Retained earnings *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
As at 1 January 2022 (Audited)	1	98,602	–*	–*	37,878	16,121	1,779	54,216	3,954	70,558	283,109	10,378	293,487
Loss for the period	–	–	–	–	–	–	–	–	–	(46,233)	(46,233)	(2,004)	(48,237)
Other comprehensive expense	–	–	–	–	–	–	(3,631)	–	–	–	(3,631)	–	(3,631)
Total comprehensive expense for the period	–	–	–	–	–	–	(3,631)	–	–	(46,233)	(49,864)	(2,004)	(51,868)
Share-based compensation — Value of employee services *(Notes 6 and 18)*	–	–	–	–	–	–	–	–	2,959	–	2,959	–	2,959
As at 30 June 2022 (Unaudited)	1	98,602	–*	–*	37,878	16,121	(1,852)	54,216	6,913	24,325	236,204	8,374	244,578

* Less than RMB1,000

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

		Six months ended 30 June	
	Notes	**2023** ***RMB'000*** **(Unaudited)**	2022 *RMB'000* (Unaudited)
Net cash (used in)/generated from operating activities		**(8,264)**	(8,658)
Investing activities			
Purchases of property, plant and equipment	*10*	**(364)**	(484)
Purchases of financial assets at fair value through profit or loss	*11b*	**(117,396)**	(95,000)
Proceeds from disposal of financial assets at fair value through profit or loss	*11b*	**75,246**	44,353
Placement of time deposits	*14*	**(3,688)**	–
Interest received	*4*	**306**	244
Net cash used in investing activities		**(45,896)**	(50,887)
Financing activities			
Payment for principal portion of lease liabilities		**(5,255)**	(1,831)
Payment for interest portion of lease liabilities		**(339)**	(573)
Repayment of bank loans		**(156)**	–
Increase of interest-bearing bank borrowing		**15,862**	156
Net cash (used in)/generated from financing activities		**10,112**	(2,248)
Net (decrease)/increase in cash and cash equivalents		**(44,048)**	(61,793)
Cash and cash equivalents at beginning of the period		**138,571**	165,329
Cash and cash equivalents at end of the period, representing bank balances and cash		**94,523**	103,536

1. GENERAL INFORMATION AND BASIS OF PREPARATION

1.1 General information

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 35/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The shares of the Company ("**Shares**") have been listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 19 January 2021 ("**Listing Date**").

The Company acts as an investment holding company. The Company and its subsidiaries are collectively referred to as the "**Group**".

The Company is ultimately controlled by Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, 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.

Items included in the condensed consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is Renminbi ("**RMB**") since the Company's primary subsidiaries were incorporated and are operating in the People's Republic of China (the "**PRC**") and these subsidiaries considered RMB as their functional currency. The condensed consolidated financial statements is presented in RMB, which is the Company's functional and the Group's presentation currency. All values are rounded to the nearest thousand except when otherwise indicated.

1.2 Basis of preparation

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

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 2023 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker ("**CODM**") reviews the "operating loss" as presented below and the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment which mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at the end of the reporting period, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented. No analysis of segment assets or segment liabilities is presented as they are not used by the CODM when making decisions about allocating resources and assessing performance of the Group.

	Six months ended 30 June	
	2023 ***RMB'000*** **(Unaudited)**	2022 *RMB'000* (Unaudited)
The Group's loss before taxation	**(38,031)**	(48,587)
Less: Other income, gains and losses, net	**(3,150)**	(2,733)
Operating loss presented to the CODM	**(41,181)**	(51,320)

Revenue by service type as follows:

	Six months ended 30 June	
	2023 ***RMB'000*** **(Unaudited)**	2022 *RMB'000* (Unaudited)
Medical conference services	**71,592**	111,288
Patient education and screening services	**2,781**	14,323
Marketing strategy and consulting services	**58,927**	41,287
Contract research organisation services	**5,908**	3,679
Digital marketing and sales solutions services	**6,102**	–
Internet hospital services	**1,613**	1,884
Total revenue	**146,923**	172,461

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
At a point in time	**146,744**	172,240
Over time	**179**	221
Total revenue	**146,923**	172,461

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	
	2023	2022
	(Unaudited)	(Unaudited)
Customer A	**23%**	12%
Customer B *(Note (a))*	**11%**	N/A
Customer C *(Note (b))*	**N/A**	20%

Notes:

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

(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 2023.

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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Within one year	**623,098**	387,548

4. OTHER INCOME, GAINS AND LOSSES, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Foreign exchange gains, net	**1,055**	1,335
Bank interest income	**306**	244
Gain on fair value changes of financial assets at fair value through profit or loss ("**FVTPL**")	**352**	353
Government subsidy *(Note)*	**90**	–
Value added tax refund	**1,261**	729
Others	**86**	72
	3,150	2,733

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	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expense on lease liabilities	**339**	573
Interest expense on borrowings	**257**	–
Guarantee fees	**156**	–
	752	573

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. LOSS BEFORE TAXATION

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss before taxation has been carried at after charging:		
Auditor's remuneration		
— audit services	**–**	–
— non-audit services	**250**	470
Depreciation of property, plant and equipment	**1,624**	1,657
Depreciation of right-of-use assets	**4,515**	4,489
Amortisation of intangible assets (included in cost of sales)	**5,102**	5,031
Short-term lease payments		
Staff costs:		
— Fee and salaries (including directors' remuneration)	**38,317**	32,964
— Staff retirement benefit costs((including directors' retirement benefit scheme contributions)	**3,631**	3,001
— Social security costs, housing benefits and other employee benefits (including directors' social security costs, housing benefits and other benefits)	**6,061**	5,768
— Share-based compensation	**700**	2,959
	48,709	44,692

7. INCOME TAX (EXPENSE)/CREDIT

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Under provision of taxation for previous years	**–**	(76)
	–	(76)
Deferred tax (expense)/credit	**(14)**	426
	(14)	350

7. INCOME TAX (EXPENSE)/CREDIT (Continued)

(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 the entity enjoyed the preferential tax rate for HNTE of 15% from 2019 to 2025. 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 100% tax reduction based on the eligible research and development expenses for the six months ended 30 June 2023 (six months ended 30 June 2022: 75%).

For the six months ended 30 June 2023, six (six months ended 30 June 2022: six) of the entities comprising the Group is qualified as small and micro-sized enterprises (SMEs) for tax reduction. SMEs are eligible for 75% reduction at the applicable EIT tax rate of 20% (six months ended 30 June 2022: the first RMB1 million of annual taxable income is eligible for 87.5% reduction at the applicable EIT tax rate of 20%; while the income between RMB1 million and RMB3 million is eligible for 50% reduction at the applicable EIT tax rate of 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 2023 and 2022.

8. DIVIDEND

No dividends were paid, declared or proposed during the six months ended 30 June 2023. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. LOSSES PER SHARE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Losses attributable to owners of the Company	**(35,611)**	(46,233)
Weighted average number of ordinary shares in issue in the basic losses per share calculation (in thousands)	**191,442**	185,802
Effect of conversion of unvested restricted share units ("**RSUs**") *(in thousands)*	**N/A**	3,181
Weighted average number of ordinary shares in issue in the diluted losses per share calculation *(in thousands)*	**N/A**	188,983
Losses per share attributable to the owners of the Company		
— Basic losses per share *(RMB cents)*	**(18.60)**	(24.88)
— Diluted losses per share *(RMB cents)*	**(18.60)**	(24.46)

The computation of diluted loss per share for the six months ended 30 June 2023 does not assume the issue of the Company's unvested RSUs as their assumed issue would result in a decrease in loss per share.

10. PROPERTY, PLANT AND EQUIPMENT, RIGHT-OF-USE ASSETS AND INTANGIBLE ASSETS

During the current interim period, the Group incurred RMB364,000 (six months ended 30 June 2022: RMB484,000) on the acquisition of property, plant and equipment. During the current interim period, no disposal of property, plant and equipment from the Group (six months ended 30 June 2022: Nil).

During the current interim period, 4 new lease agreements have been entered by the Group. The Group is required to make fixed monthly payments. The Group incurred RMB1,158,468 (six months ended 30 June 2022: RMB7,070,000) on addition of right-of-use assets has been recognised by the Group.

During the current interim period, there was no acquisition of intangible assets (six months ended 30 June 2022: Nil) by the Group.

11A. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Unlisted equity securities		
— Beijing Cezhiyi Consulting Co., Ltd. ("**Beijing Cezhiyi**")	**2,122**	2,329
— Shanghai Bohuikang Biological Technology Co., Ltd. ("**Shanghai Bohuikang**")	**10,230**	11,865
— Beijing Lingchuang Yigu Technology Development Co., Ltd. ("**Lingchuang Yigu**")	**1,911**	1,960
	14,263	16,154

Note:

The above mentioned investments are not held for trading, instead, they are held for long-term strategic purposes. The directors of the Company have elected to designate these investments in equity instruments as at fair value through other comprehensive income as they believe that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

11B. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Short term financial assets mandatorily measure at FVTPL		
— Financial products *(Note)*	**57,600**	15,450

Note:

During the current interim period, the Group acquired some financial products at the aggregate consideration of RMB117,396,410 (six months ended 30 June 2022: RMB95,000,000). Some of the financial products have been disposed of at total proceeds of RMB75,246,410 (six months ended 30 June 2022: RMB44,353,000) for the six months ended 30 June 2023 and no gain or loss arising from the disposals. The financial products are structured fixed deposits with financial institutions with three-month maturities. The principal of the structured fixed deposits will be invested in debt instruments while the interest will be invested in derivative markets. The Group received variable return depending on the return of the derivative.

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023 *RMB'000* (Unaudited)	31 December 2022 *RMB'000* (Audited)
Included in non-current assets		
Deposits and other receivables *(Note (a))*	4,721	3,036
Included in current assets		
Prepayments *(Note (b))*	1,361	1,169
Other prepaid taxation *(Note (c))*	–	–
Other receivables *(Note (d))*	375	540
	1,736	1,709

Notes:

(a) As at 30 June 2023 and 31 December 2022, deposits and other receivables mainly represent non-current portion of rental deposits.

(b) As at 30 June 2023, the balances mainly represent prepayments for petrol, short-term lease and management fee, legal retainer fee and research and development expenses which will be utilised within 12 months from the end of the reporting period.

As at 31 December 2022, the balances mainly represent prepayments for petrol, short-term lease and management fee, legal retainer fee which will be utilised within 12 months from the end of the reporting period.

(c) Other prepaid taxation mainly represents value-added tax and surcharges.

(d) As at 30 June 2023, other receivables mainly represent current portion of rental deposit of RMB374,758 (31 December 2022: RMB174,000).

13. TRADE RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Receivables from third parties	61,355	83,446
Less: allowance for credit losses	(5,032)	(6,756)
	56,323	76,690

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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 90 days	48,317	72,365
91 days to 180 days	8,006	4,325
181 days to 365 days	–	–
	56,323	76,690

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Neither past due nor impaired	48,317	72,365
0–90 days past due	8,006	4,325
Over 90 days past due	–	–
	56,323	76,690

Trade receivables are classified as financial assets measured at amortised cost, their carrying amounts approximated their fair values due to their short maturities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

14. FIXED TIME DEPOSITS

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Included in current assets:		
USD fixed deposits	**3,688**	–

As at 30 June 2023, our fixed deposits have initial maturities of 1 to 3 months (2022: Nil) and effective interest rates of approximately 4.93% (2022: Nil) per annum. As at the end of the relevant reporting period, carrying amounts of the fixed deposits approximated their fair values.

15. TRADE PAYABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Payables to third parties	**24,880**	34,021

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Up to 90 days	**13,924**	26,284
91 days to 180 days	**3,611**	2,799
181 days to 360 days	**2,413**	1,932
Over 360 days	**4,932**	3,006
	24,880	34,021

16. OTHER PAYABLES AND ACCRUALS

	30 June 2023 *RMB'000* **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Reimbursement to staff	**483**	2,614
Accrued social security costs	**4,973**	4,576
Accrued listing expenses	**–**	314
Accrued services fee to auditor	**250**	1,251
Other tax payables *(Note)*	**3,074**	5,479
Salary payable	**5,332**	4,149
Others	**574**	626
	14,686	19,009

Note:

As at 30 June 2023, other tax payables mainly represent PRC Value Added Tax payable of RMB2,620,000 (31 December 2022: RMB4,842,000) and PRC Individual Income Tax payable (withholding tax) of RMB447,000 (31 December 2022: RMB355,000).

17. SHARE CAPITAL

	Par value	Number of ordinary shares	Amount
		'000	*RMB'000*
Authorised:			
At 1 January 2022 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)	HK$0.00001	38,000,000	334
Issued and fully paid:			
At 1 January 2022 (audited)		150,000	1
Global Offering *(Note (a))*		50,000	–*
At 31 December 2022 (audited) and 30 June 2023 (unaudited)		200,000	1

* Less than RMB1,000

Notes:

(a) On 19 January 2021, the Company issued a total of 50,000,000 new shares of HK$0.00001 each at an issue price of HK$3.00 per share pursuant to its prospectus dated 31 December 2020 (the "**Global Offering**"). The gross listing proceeds were HK$150,000,000 (approximately RMB124,812,000).

(b) As at 30 June 2023, 8,558,000 (31 December 2022: 8,558,000) shares held by a designated trustee for the purpose of providing existing and future RSUs grants under the restricted share units scheme ("**RSU Scheme**") (effective from Listing Date) were considered as treasury shares of the Company (Note 18).

18. EQUITY-SETTLED SHARE-BASED COMPENSATION

Share option scheme

On 21 December 2020, the Company has adopted a share option scheme under which eligible persons, including directors of the Group may be granted options to subscribe for shares in the Company.

No share option has been granted as at 30 June 2023 and 31 December 2022.

18. EQUITY-SETTLED SHARE-BASED COMPENSATION (Continued)

RSU Scheme

On 18 September 2019, the Company conditionally adopted the RSU Scheme by a resolution of shareholders and a resolution of board of directors. The purpose of the RSU Scheme is to attract and to retain quality personnel and other persons and to provide them with incentive to contribute to the business and operation of the Group. The RSU Scheme became effective since 19 January 2021, the Listing Date.

Under the RSU Scheme, the directors of the Company may grant award of RSUs to any directors, employees, consultants and any persons contribute to the Company, its subsidiaries or PRC operating entities a conditional right when the award vests to obtain shares of the Company on the date of vesting, as determined by the board of directors of the Company in its absolute discretion.

The RSU Scheme will remain in force for a period of 10 years commencing from 18 September 2019.

On 25 June 2021, in exchange for employee services to the Group, 15,170,000 RSUs (equivalent to 15,170,000 ordinary shares of the Company) were granted to certain eligible persons selected by the board of directors. Under the terms of the grant letter, the RSUs shall be vested as to 34%, 23%, 38% and 5% on 25 June 2021, 31 December 2021, 31 December 2022 and 31 December 2023, respectively, of which certain designated grantees also required to fulfil certain service conditions and non-market performance conditions, except for the aforesaid first 34% of the RSUs.

The fair values of the RSUs have been arrived with reference to a valuation carried out on grant date by Norton Appraisals Holdings Limited, an independent professional valuer not connected with the Group, with reference to the grant date share price. As at 25 June 2021, the fair value of the RSUs was HK$2.19.

Movement of the RSU Scheme for the six months ended 30 June 2023 and 2022 is as follows:

	Six months ended 30 June	
	2023	2022
	'000	*'000*
	(Unaudited)	(Unaudited)
At 1 January	**720**	6,404
Granted during the period	**–**	–
Vested and settled *(Note)*	**–**	–
Lapsed/cancelled *(Note)*	**–**	(44)
At 30 June	**720**	6,360

Note:

On 25 June 2021, RSUs representing 5,154,030 underlying shares were vested, representing the first 34% of the underlying shares of the RSUs. On 31 December 2021, RSUs of 647,500 underlying shares and 2,963,970 underlying shares were vested and lapsed/cancelled respectively, representing the second 23% of the granted RSUs. On 31 December 2022, RSUs of 5,640,500 underlying shares and 44,000 underlying shares were vested and forfeited respectively, representing the third 38% of the RSUs granted. The amount of RSUs vested during the six months ended 30 June 2023 was approximately RMB699,862 (30 June 2022: RMB2,958,402). During the six months ended 30 June 2023 , RSUs of nil (30 June 2022: 44,000) underlying shares were lapsed/cancelled.

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The table below analyses the Group's financial instruments carried at fair value or fair value less costs to sell as at 30 June 2023 and 31 December 2022 by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets that are measured at fair value or fair value less costs to sell.

	Level 3 *RMB'000*
At 30 June 2023 (unaudited)	
Assets	
— Long-term equity instruments at FVTOCI *(Note 11a)*	**14,263**
— Short-term financial assets at FVTPL *(Note 11b)*	**57,600**
	71,863
At 31 December 2022 (audited)	
Assets	
— Long-term equity instruments at FVTOCI *(Note 11a)*	16,154
— Short-term financial assets at FVTPL *(Note 11b)*	15,450
	31,604

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

The following table presents the changes in level 3 instruments of financial assets at FVTPL and equity instruments at FVTOCI and assets classified as held for sale during the period.

	Assets classified as held for sale *RMB'000*	Financial assets at FVTPL *RMB'000*	Equity instruments at FVTOCI *RMB'000*
At 1 January 2023 (audited)	–	15,450	16,154
Purchased	–	117,396	–
Disposal	–	(75,598)	–
Total gain:			
— in profit or loss	–	352	–
— in other comprehensive income	–	–	(1,891)
At 30 June 2023 (unaudited)	–	57,600	14,263
At 1 January 2022 (audited)	–	9,500	22,565
Purchased	–	95,000	–
Disposal	–	(44,353)	–
Total gain:			
— in profit or loss	–	353	–
— in other comprehensive income	–	–	(4,272)
At 30 June 2022 (unaudited)	–	60,500	18,293

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Continued)

Notes:

(i) The following table summarises the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements of the financial assets at FVTOCI as at 30 June 2023 and 31 December 2022.

Description	Fair value 30 June 2023 RMB'000 (Unaudited)	Fair value 31 December 2022 RMB'000 (Audited)	Valuation techniques	Price to sales ratio 30 June 2023	Price to sales ratio 31 December 2022	Relationship of unobservable inputs to fair value
Unlisted equity securities						
Beijing Cezhiyi	**2,122**	2,329	Market comparison	**1.4**	1.4	An increase in the price to sales ratio used would result in an increase in the fair value measurement of the unlisted equity security, and vice versa.
Shanghai Bohuikang	**10,230**	11,865	Market comparison	**2.28**	2.28	
Lingchuang Yigu	**1,911**	1,960	Market comparison	**9.17**	9.17	
	14,263	16,154				

As at 30 June 2023, the fair values or fair value less costs to sell of the above equity instruments at FVTOCI have been estimated by management of the Group by using market comparison method with adjustments. As at 31 December 2022, the fair values of the above equity instruments at FVTOCI have been arrived with reference to a valuation carried out on 31 December 2022 by 北京立信東華資產評估有限公司, an independent professional valuer not connected with the Group, using market comparison method with adjustments.

(ii) As at 30 June 2023, the fair value of financial assets at FVTPL amounting to RMB57,600,000 (31 December 2022: RMB15,450,000), is determined by the spot rate quoted by the issuer of the financial products. These financial products are structured fixed deposits with financial institutions with three-month maturities. Details are disclosed in Note 11b.

(iii) If the fair values of the financial assets at FVTPL held by the Group had been 10% (31 December 2022: 10%) higher/lower, the loss before taxation for the six months ended 30 June 2023 would have been approximately RMB5,760,000 (profit before taxation for the year ended 31 December 2022: RMB1,545,000 higher/lower) lower/higher.

If the fair values of the equity instruments at FVTOCI held by the Group had been 10% higher/lower, the other comprehensive income for the six months ended 30 June 2023 would have been approximately RMB1,426,300.00 (for the year ended 31 December 2022: RMB1,615,400.00) higher/lower.

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during both periods.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATION

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") are as follows:

Long position in the Shares

Name of Director	Nature of Interest	Number of Shares(1)	Total Number of Shares(1)	Approximate Percentage of Shareholding(1)
Mr. Shi Wei	Beneficial owner	2,600,000 (L)	108,519,000(3)	54.26%
	Interest in a controlled corporation	40,651,000 (L)		
	Interest held jointly with another person	65,268,000 (L)(2)		
Mr. Yang Weimin	Interest in a controlled corporation	25,415,000 (L)	108,519,000(4)	54.26%
	Interest held jointly with another person	83,104,000 (L)(2)		
Mr. Wang Liang	Beneficial owner	2,400,000 (L)	108,519,000(5)	54.26%
	Interest in a controlled corporation	12,038,000 (L)		
	Interest held jointly with another person	94,081,000 (L)(2)		
Mr. Wang Wei	Beneficial owner	800,000 (L)	800,000	0.40%
Mr. Sui Huijun	Beneficial owner	2,000,000 (L)	2,000,000	1.00%
Ms. Zhang Yitao	Interest in a controlled corporation	25,415,000 (L)	108,519,000(6)	54.26%
	Interest held jointly with another person	83,104,000 (L)(2)		

Notes:

(1) The Letter "L" denotes the person's long position in the Shares. The percentage of shareholding was calculated based on Company's total issued shares of 200,000,000 Shares as at 30 June 2023.

(2) The Company's ultimate controlling shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, are parties acting in concert and on 13 October 2019, they entered into written agreement to, among others, confirm their acting-in-concert arrangement. Please refer to the section headed "History and Reorganization — Parties Acting in Concert" in the Prospectus for further details. By virtue of the SFO, each controlling shareholder is deemed to be interested in the Shares beneficially owned by other controlling shareholders.

(3) Mr. Shi Wei was deemed to be interested in 108,519,000 Shares, among which 40,651,000 Shares were held by Ji Ze Investment Management Company Limited ("**Ji Ze Investment**"), 2,600,000 Shares were held in his own capacity and 65,268,000 Shares were held jointly with another person as stated in Note (2).

(4) Mr. Yang Weimin was deemed to be interested in 108,519,000 Shares, among which 25,415,000 Shares were held by Shun Jia Investment Management Company Limited ("**Shun Jia Investment**") and 83,104,000 Shares were held jointly with another person as stated in Note (2).

(5) Mr. Wang Liang was deemed to be interested in 108,519,000 Shares, among which 12,038,000 Shares were held by Tai Zhi Feng Investment Management Company Limited ("**Tai Zhi Feng Investment**"), 2,400,000 Shares were held in his own capacity and 94,081,000 Shares were held jointly with another person as stated in Note (2).

(6) Ms. Zhang Yitao was deemed to be interested in 108,519,000 Shares, among which 25,415,000 Shares were held by He Hui Wan Yi Investment Management Company Limited ("**He Hui Wan Yi Investment**") and 83,104,000 Shares were held jointly with another person as stated in Note (2).

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executive of the Company had interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, the following persons (other than the Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

(i) Long Position in the Share

Name of Shareholder	Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding[1]
Ji Ze Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
Shun Jia Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
He Hui Wan Yi Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
Tai Zhi Feng Investment	Beneficial interest/Interest held jointly with another person	103,519,000 (L)	51.76%
The Core Trust Company Limited[7]	Trustee	20,000,000 (L)	10.00%
TCT (BVI) Limited[7]	Other	20,000,000 (L)	10.00%
Great Insight Global Limited[7]	Nominee for another person	20,000,000 (L)	10.00%

Notes:

(1) The letter "L" denotes the person's long position in the Shares. The percentage of shareholding was calculated based on Company's total issued shares of 200,000,000 Shares as at 30 June 2023.

(2) The Company's ultimate controlling shareholders, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao and Mr. Wang Liang, are parties acting in concert and on 13 October 2019, they entered into written agreement to, among others, confirm their acting-in-concert arrangement. Please refer to the section headed "History and Reorganization — Parties Acting in Concert" in the Prospectus for further details. By virtue of the SFO, each controlling shareholder is deemed to be interested in the Shares beneficially owned by other controlling shareholders.

(3) Ji Ze Investment is wholly-owned by Mr. Shi Wei. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Shun Jia Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by Ji Ze Investment.

(4) Shun Jia Investment is wholly-owned by Mr. Yang Weimin. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, He Hui Wan Yi Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by Shun Jia Investment.

(5) He Hui Wan Yi Investment is wholly-owned by Ms. Zhang Yitao. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment and Tai Zhi Feng Investment are deemed to be interested in the Shares held by He Hui Wan Yi Investment.

(6) Tai Zhi Feng Investment is wholly-owned by Mr. Wang Liang. By virtue of the SFO, Mr. Shi Wei, Mr. Yang Weimin, Ms. Zhang Yitao, Mr. Wang Liang, Ji Ze Investment, Shun Jia Investment and He Hui Wan Yi Investment are deemed to be interested in the Shares held by Tai Zhi Feng Investment.

(7) The Core Trust Company Limited, as a trustee, holds 20,000,000 Shares on trust under the RSU Scheme through Great Insight Global Limited (the "**Nominee**"). The Nominee is wholly-owned by TCT (BVI) Limited, which is in turn wholly-owned by The Core Trust Company Limited.

Save as disclosed above, as at 30 June 2023, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, had interests or short positions in the Shares or underlying Shares as recorded in the register required to by kept by the Company pursuant to Section 336 of the SFO.

RSU SCHEME

The Company has conditionally adopted the restricted share units scheme (the "**RSU Scheme**") by a resolution of the shareholders of the Company and a resolution of the Board on 18 September 2019.

Please refer to the section headed "Statutory and General Information — RSU Scheme" in the Prospectus for further details of the RSU Scheme.

Other Information

On 25 June 2021, an aggregate of 15,170,000 restricted share units ("**RSUs**") were granted under the RSU Scheme. The closing price of the Shares on the date immediately before the date of grant of such RSUs was HK$2.140. Among the 15,170,000 RSUs granted, 9,100,000 RSUs were granted to the Directors and 6,070,000 RSUs were granted to other employees of the Group. No RSUs had been granted or agreed to be granted under the RSU Scheme during the Reporting Period. The number of RSUs available for grant under the scheme mandate of the RSU scheme as at 1 January 2023 and 30 June 2023 is 4,830,000 Shares. Details of the movements of the RSUs during the Reporting Period are set out below:

Grantee	Date of grant	Number of unvested RSUs as at 1 January 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Number of unvested RSUs as at 30 June 2023
Directors							
Mr. Shi Wei	25 June 2021	–	–	–	–	–	–
Mr. Wang Liang	25 June 2021	–	–	–	–	–	–
Mr. Sui Huijun	25 June 2021	–	–	–	–	–	–
Mr. Wang Wei	25 June 2021	–	–	–	–	–	–
Other Employees	25 June 2021	720,000	–	–	–	–	720,000
Total		720,000	–	–	–	–	720,000

Notes:

1. The unvested RSUs as at 30 June 2023 shall be vested on 31 December 2023 subject to the following vesting conditions: the number of active doctors in the Company should reach 50,000 and the number of patients should reach 800,000. There is no purchase price to be paid by the grantee upon vesting of the RSUs.

Please refer to the announcement of the Company dated 30 June 2021 for further details in relation to the grant of RSUs.

For the fair value of the RSUs as at the date of grant and the accounting standard and policy adopted, please refer to note 18 of the notes to the consolidated financial statement.

SHARE OPTION SCHEME

The Company has conditionally adopted a share option scheme (the "**Share Option Scheme**") on 21 December 2020, which became effective on 19 January 2021, the Listing Date.

Please refer to the section headed "Statutory and General Information — Share Option Scheme" in the Prospectus for further details of the Share Option Scheme.

As at 30 June 2023, no share option had been granted under the Share Option Scheme. The total number of options available for grant under the Share Option Scheme as at 1 January 2023 and 30 June 2023 was 20,000,000.

CONTRACTUAL ARRANGEMENTS

Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting video production services and are restricted from conducting internet hospital services and value-added telecommunications services, therefore, the Group cannot directly acquire equity interests in the Consolidated Affiliated Entities (as defined in the Prospectus). Due to these restrictions, the Group conducts part of its operations in the PRC through the Contractual Arrangements (as defined in the Prospectus) with Mediwelcome Beijing Healthcare Technology Co., Ltd.* (北京麥迪衛康醫療科技有限公司, "**Mediwelcome Beijing**") and its shareholders, namely the Registered Shareholders (as defined in the Prospectus). The Contractual Arrangements allow the financials and results of operations of the Consolidated Affiliated Entities to be consolidated into the Group's consolidated financial statements as if they were wholly-owned subsidiaries of the Group.

Please refer to the section headed "Regulatory Overview" in the Prospectus for further details of the limitations under applicable PRC laws and regulations on foreign ownership in PRC companies conducting the said services.

Qualification Requirements

Qualification Requirements for Internet Hospital Service

According to Interim Measures for the Administration of Sino-foreign Joint Ventures and Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》) (the "**Interim Measures**"), foreign investors are not allowed to hold more than 70% of the equity interest of a sino-foreign joint venture medical institution. Furthermore, under the Interim Measures, the parties of the sino-foreign joint ventures medical institution shall have direct or indirect experience in medical or healthcare investments and management, and must satisfy certain requirements. Since the offshore companies of the Group, as newly-established entities, do not meet the said requirements, Ningxia Subsidiary could not be established in the form of sino-foreign joint venture company rather than a wholly domestic owned company as at the Listing Date. Furthermore, it is practically impossible to gain Practice License for Medical Institutions (醫療機構執業許可證) in Ningxia Autonomous Region if there is any foreign investor in Mediwelcome Beijing.

According to Administrative Measures for Internet Hospitals (for Trial Implementation) (《互聯網醫院管理辦法（試行）》) and the Implementing Measures for the Administration of Internet Hospitals in Ningxia Hui Autonomous Region (for Trial Implementation) (《寧夏回族自治區互聯網醫院管理實施辦法（試行）》) (together, the "**Relevant Measures for Internet Hospitals**") where a third-party institution relies on and cooperates with a physical hospital to establish an internet hospital, the third party institution shall provide the physical hospital with the resources and/or connections to physicians, pharmacists and other professionals services and information technology support services.

Other Information

FITE Regulations Update

According to the Regulations for the Administration of Foreign-Invested Telecommunication Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), which was promulgated by the State Council of the PRC on 11 December 2001 and amended on 10 September 2008, 6 February 2016 and 29 March 2022, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services, including Internet Content Provider services.

On 7 April 2022, the State Council announced The Decision of the State Council to Amend and Repeal Certain Administrative Regulations, which amends the FITE Regulations to, among other things, repeal the qualification requirements for foreign investors holding equity interests in Chinese companies engaged in value-added telecommunications business contained in the FITE Regulations and it will not be required to demonstrate good track records and experience in operating value-added telecommunications business overseas. The revised FITE Regulations have come into effect on 1 May 2022. There are significant uncertainties regarding the interpretation and implementation of the amended FITE Regulations. It also remains uncertain whether the PRC government agencies will impose additional requirements in practice on foreign investors in PRC companies providing value-added telecommunications services.

Efforts and Actions Taken to Comply with the Qualification Requirements

Qualification Requirements for Internet Hospital Service

The Group has been progressively building up its track record of overseas medical services for being qualified, as soon as possible, to acquire the maximum permissible equity interests in Yinchuan Mediwelcome Internet Hospital Co., Ltd.* (銀川麥迪衛康互聯網醫院有限公司) should there be any relaxation or change in the relevant requirement in the future. The Group has taken the following measures to meet the said qualification requirements:

- the Group has incorporated a subsidiary in Hong Kong, namely Mediwelcome (HK) Investment Management Company Limited ("**Mediwelcome HK**");

- the Group has conducted feasibility study on providing conference and consulting services to medical institutions and medical associations through Mediwelcome HK, to help Mediwelcome HK accumulating management experience in medical industry; and

- Mediwelcome HK will seek cooperation opportunities from leading medical institutions to accumulate management experience and study leading management and service model in medical industry.

FITE Regulations Update

Notwithstanding the significant uncertainties in the interpretation and implementation of the amended FITE Regulations, the Group has continued to establish the operation of our overseas business gradually and has taken the following measures:

- the Group has applied for, and is in the process of, registering trademarks outside the PRC for the expansion of business operations overseas as and when appropriate;

- the Group has incorporated a subsidiary in Hong Kong, namely Mediwelcome (HK), which can be readily serviced as an overseas platform when it expands its business outside the PRC; and

- the Group has considered expansion plans for overseas market and have further conducted overseas market and overseas investment feasibility research.

The Group will regularly consult with the relevant PRC government authorities to keep abreast of any new regulatory changes and to assess on an ongoing basis whether we are meeting the requirements set out by the PRC government authorities, where applicable. We will closely monitor and assess any changes in the implementation of the newly amended FITE Regulations and, when necessary and applicable, disclose in our interim report and annual report the latest progress of our response plan to address the regulatory changes to keep our shareholders and other investors informed.

For the Reporting Period, the Board has reviewed the overall performance of the Contractual Agreements and believed that the Group has complied with the Contractual Agreements in all material aspects.

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 2023. 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.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") consists of three independent non-executive Directors, namely Mr. Fei John Xiang, Mr. Song Ruilin and Mr. David Zheng Wang. Mr. Fei John Xiang is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules (the "**CG Code**"). The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration of individual executive Directors, non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his associates is involved in deciding his own remuneration.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") consists of three members, namely Mr. Shi Wei, executive Director and Mr. Fei John Xiang and Mr. David Zheng Wang, independent non-executive Directors. Mr. Shi Wei is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment, re-appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as its own code of corporate governance practices. During the Reporting Period, the Company had applied the principles of good corporate governance and complied with all the applicable code provisions set out in Part 2 of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as 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 2023 (2022: Nil).

By order of the Board
Mediwelcome Healthcare Management & Technology Inc.
麥迪衛康健康醫療管理科技股份有限公司
Shi Wei
Chairman and Executive Director

Hong Kong
30 August 2023