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## Mediwelcome Healthcare Management & Technology Inc.

麥迪衛康健康醫療管理科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2159)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Mediwelcome Healthcare Management & Technology Inc. (麥迪衛康健康醫療管理科技股份有限公司) (“**Mediwelcome**” or the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”), together with the comparative figures as follows:

#### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
<b>Revenue</b>	3	<b>339,796</b>	138,681
Cost of sales		<b>(303,991)</b>	(110,549)
<b>Gross profit</b>		<b>35,805</b>	28,132
Other income, gains and losses		<b>7,207</b>	1,015
Selling expenses		<b>(10,187)</b>	(5,758)
Administrative expenses		<b>(30,835)</b>	(18,309)
Research and development expenses		<b>(6,382)</b>	(7,208)
Listing expenses		<b>(11,305)</b>	(3,503)
Finance costs		<b>(606)</b>	(352)
Reversal of impairment losses on trade receivables		<b>1,888</b>	1,415
<b>Loss before taxation</b>		<b>(14,415)</b>	(4,568)
Income tax (expense)/credit	4	<b>(1,847)</b>	561
<b>Loss for the period</b>		<b>(16,262)</b>	(4,007)

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b> <i>RMB'000</i> <b>(Unaudited)</b>	<b>2020</b> <i>RMB'000</i> <b>(Audited)</b>
<b>Other comprehensive income</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value changes in equity instruments at fair value through other comprehensive income (“FVTOCI”)		<u>25,399</u>	<u>5,021</u>
<b>Total comprehensive income for the period</b>		<u><u>9,137</u></u>	<u><u>1,014</u></u>
<b>Loss for the period attributable to:</b>			
— Owners of the Company		(15,794)	(2,278)
— Non-controlling interests		<u>(468)</u>	<u>(1,729)</u>
		<u><u>(16,262)</u></u>	<u><u>(4,007)</u></u>
<b>Total comprehensive income/(loss) for the period attributable to:</b>			
— Owners of the Company		9,605	2,743
— Non-controlling interests		<u>(468)</u>	<u>(1,729)</u>
		<u><u>9,137</u></u>	<u><u>1,014</u></u>
<b>Losses per share</b>			
— Basic and diluted losses per share ( <i>RMB cents</i> )	6	<u><u>(9.01)</u></u>	<u><u>(1.75)</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	<b>30 June 2021</b>	31 December 2020
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Audited)</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		6,874	7,763
Right-of-use assets		18,512	21,723
Equity instruments at fair value through other comprehensive income		32,225	16,826
Goodwill		3,115	3,115
Intangible assets		41,263	23,159
Deferred tax assets		2,101	2,098
Prepayments, deposits and other receivables		2,708	2,808
		<b>106,798</b>	77,492
<b>Current assets</b>			
Trade receivables	7	67,251	78,447
Contract costs		27,074	11,086
Prepayments, deposits and other receivables		6,847	8,165
Financial assets at fair value through profit or loss		41,000	15,900
Bank balances and cash		139,318	88,990
		<b>281,490</b>	202,588
Assets classified as held for sale		<b>10,000</b>	–
Total current assets		<b>291,490</b>	202,588
<b>Total assets</b>		<b>398,288</b>	280,080
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables	8	20,171	26,153
Contract liabilities		46,999	28,713
Other payables and accruals		17,257	25,834
Lease liabilities		4,973	2,104
Tax payable		1,030	2,628
		<b>90,430</b>	85,432
<b>Net current assets</b>		<b>201,060</b>	117,156
<b>Total assets less current liabilities</b>		<b>307,858</b>	194,648

	<b>30 June 2021</b>	31 December 2020
<i>Notes</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	868	329
Lease liabilities	<u>19,306</u>	<u>23,323</u>
	<u>20,174</u>	<u>23,652</u>
<b>Net assets</b>	<u><u>287,684</u></u>	<u><u>170,996</u></u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to owners of the Company</b>		
Share capital	1	1
Reserves	<u>278,330</u>	<u>161,174</u>
	<u>278,331</u>	<u>161,175</u>
<b>Non-controlling interests</b>	<u>9,353</u>	<u>9,821</u>
<b>Total equity</b>	<u><u>287,684</u></u>	<u><u>170,996</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2021*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements of Mediwelcome Healthcare Management & Technology Inc. (the “**Company**”) and its subsidiaries (collectively, 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.

## 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 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

### **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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
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The Group has early applied the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions” in prior year and the Amendment to HKFRS 16 “Covid-19-Related Rent Concessions beyond 30 June 2021” (the “**2021 Amendment**”) in the current interim period. The 2021 Amendment extends the availability of the practical expedient set out in paragraph 46A of HKFRS 16 to rent concessions on or before 30 June 2022.

The early application of the 2021 Amendment has had no impact to the opening accumulated losses at 1 January 2021 and the financial position and financial performance for the current interim period.

## 3. REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker (“**CODM**”) reviews the “operating loss” as presented below and the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. Therefore, the Group has only one reportable segment which mainly operates its businesses in the People’s Republic of China (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.

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
The Group's loss before taxation	(14,415)	(4,568)
Add: Listing expenses	11,305	3,503
Less: Other income	(7,207)	(1,015)
	<u>(10,317)</u>	<u>(2,080)</u>

Revenue by service type as follows:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Medical conference services	208,510	75,087
Patient education and screening services	74,321	27,453
Marketing strategy and consulting services	51,046	33,151
Contract research organisation services	4,092	2,920
Internet hospital services	1,827	70
	<u>339,796</u>	<u>138,681</u>

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Audited)
Timing of revenue recognition		
At a point in time	339,288	138,593
Over time	508	88
	<u>339,796</u>	<u>138,681</u>

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b>(Unaudited)</b>	(Audited)
Customer A <sup>1</sup>	–	16%
Customer B <sup>1</sup>	–	10%
Customer C <sup>1</sup>	–	10%
Customer D <sup>1</sup>	<u>24%</u>	<u>–</u>

<sup>1</sup> The customer did not contribute over 10% of the total revenue of the Group in the corresponding period.

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:

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Within one year	<b>374,813</b>	192,496

#### 4. INCOME TAX EXPENSE/(CREDIT)

	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Current tax	<b>1,311</b>	181
Over provision of taxation for previous years	–	(316)
	<b>1,311</b>	(135)
Deferred tax expense/(credit)	<b>536</b>	(426)
	<b>1,847</b>	(561)

##### (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 2 December 2019 and is eligible to enjoy the preferential tax rate for HNTE of 15% from 2019 to 2022. The HNTE certificate needs to be renewed every three years so as to enable to enjoy the reduced tax rate of 15%.

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

For the six months ended 30 June 2021, six (six months ended 30 June 2020: two) of the entities comprising the Group were qualified as small and micro-sized enterprises (SMEs) for tax reduction. For the first RMB1 million of annual taxable income is eligible for 75% reduction and the income between RMB1 million and RMB3 million is eligible for 50% reduction at the applicable EIT tax rate of 20% for both periods.

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 2021 and 2020.

**5. DIVIDEND**

No dividends were paid, declared or proposed during the six months ended 30 June 2021. The directors of the Company have determined that no dividend will be paid in respect of the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

**6. LOSSES PER SHARE**

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Loss attributable to owners of the Company	<b>(15,794)</b>	(2,278)
Weighted average number of ordinary shares in issue <i>(in thousands)</i>	<b>175,198</b>	130,000
Losses per share for loss attributable to owners of the Company <i>(RMB cents)</i>	<b><u>(9.01)</u></b>	<u>(1.75)</u>

Diluted losses per share is the same as the basic losses per share as those contingently vesting shares in relation to restricted share units (“RSUs”) are not included in the computation of diluted losses per share for the six months ended 30 June 2021 since the non-market performance conditions of the RSUs were not satisfied as at the end of the reporting period, and the impact of dilution of the RSUs was anti-dilutive during the six months ended 30 June 2021 and 2020.

**7. TRADE RECEIVABLES**

	<b>30 June</b>	<b>31 December</b>
	<b>2021</b>	<b>2020</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Receivables from third parties	<b>76,319</b>	89,403
Less: allowance for credit losses	<b>(9,068)</b>	(10,956)
	<b><u>67,251</u></b>	<u>78,447</u>

*Note:*

The Group normally allows a credit period of 90 days to its customers.



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

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Within 90 days	<b>60,091</b>	68,466
91 days to 180 days	<b>2,542</b>	7,481
181 days to 365 days	<b>4,618</b>	2,500
	<u><b>67,251</b></u>	<u>78,447</u>

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

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Neither past due nor impaired	<b>60,091</b>	68,466
0–90 days past due	<b>2,542</b>	7,481
Over 90 days past due	<b>4,618</b>	2,500
	<u><b>67,251</b></u>	<u>78,447</u>

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

## 8. TRADE PAYABLES

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Payables to third parties	<b>20,171</b>	26,153
	<u><b>20,171</b></u>	<u>26,153</u>

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

	<b>30 June 2021 RMB'000 (Unaudited)</b>	31 December 2020 RMB'000 (Audited)
Up to 90 days	<b>11,412</b>	24,359
91 days to 180 days	<b>3,565</b>	510
181 days to 360 days	<b>4,708</b>	871
Over 360 days	<b>486</b>	413
	<u><b>20,171</b></u>	<u>26,153</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

Mediwelcome maintained a positive growth momentum during the Reporting Period. The Group's total revenue reached approximately RMB339.8 million, representing an increase of approximately 145.0% as compared to the corresponding period in 2020.

#### *Continuous Expansion of Chronic Diseases Business*

Building on its existing business in chronic diseases health management, Mediwelcome continues to deepen its efforts to help more outstanding pharmaceutical companies, both domestic and foreign, to gain edges in market competition. In addition to the existing partners, Mediwelcome established business partnerships with five domestic and foreign pharmaceutical companies in the first half of 2021. The expansion into new medical fields also injected new impetus for Mediwelcome's efficient growth. On top of the existing cardiovascular and cerebrovascular services, Mediwelcome keeps extending into new areas such as radiology, medical imaging, rare diseases and oncology, thereby diversifying its business development. As for business models, Mediwelcome has upgraded from an in-hospital one into the current out-of-hospital retail terminal service model, which has significantly broadened the overall coverage of Mediwelcome's business. At the same time, by establishing partnerships with four non-governmental organizations ("NGOs"), Mediwelcome keeps contributing to the development of the chronic diseases field through its engagement in public welfare. Mediwelcome has refined its years of experience in serving foreign pharmaceutical companies and helped many domestic companies achieve leapfrog development and support domestic pharmaceutical companies to rise and take off.

#### *Ground-breaking Achievements in Internet Healthcare*

Internet healthcare services are one of the key business segments of the Group. Leveraging on its resources advantages accumulated throughout the years from its service system, the Group is committed to building a service platform for internet healthcare that is deeply vertical so as to provide professional and differentiated platform services to both physicians and patients. Through the WeChat public account, Mediwelcome Doctor+ (麥迪衛康醫加), which is used by patients, and a mobile application, Doctor+ for Doctors (醫加醫生端), which is used by physicians, physicians are able to transfer their patients from offline clinic to an exclusive online smart one, and patients are able to interact with their attending physicians, thus creating a highly sticky, efficient, accurate and dedicated interaction system for physicians and patients. As at 30 June 2021, there were 26,629 registered physician users on Doctor+ for Doctors (醫加醫生端) and 47,614 patient users on mobile platform, which is used by patients, representing an increase of 690.2% and 391.0% as compared to those of last year, respectively. As at 30 June 2021, the cumulative number of online patient consultations was 44,534, representing an increase of 577% as compared to that of last year.

## Outlook

In order to cope with market development and policy changes, Mediwelcome will keep exploring to develop internet healthcare business and digitalization based on digital healthcare platforms to create an innovative digital healthcare business model. Based on the real-world data and its experience covering the entire journey of patients, Mediwelcome will further explore the unmet needs of stakeholders in the healthcare industry to define and establish a comprehensive healthcare service system covering disease prevention and screening, diagnosis and treatment, rehabilitation and healthcare management. It will contain multiple innovative healthcare management tools, products and customized services for patients before admission to the hospital, receiving in-ward treatment, and after discharged from the hospital, including but not limited to genetic testing, disease screening, auxiliary diagnosis and treatment, digital medical treatment, healthcare education prescription, disease rehabilitation, doctor assistant, insurance service, enterprise customer health management, etc.

Meanwhile, Mediwelcome will further optimize its internet medical service platform in deep vertical field by ongoing consolidation of its unique advantages and efficient integration of internal and external resources so as to provide digital solutions based on real-world medical scenarios for all stakeholders in the field, facilitate process optimization and update between physicians' consultation and patients' treatment, thus bringing changes to healthcare outcome of patients. Based on patient journey in the real-world, Mediwelcome will launch digital health management business for chronic disease patients in vertical field and a customized patient follow-up and management service model by virtue of the high-stickiness model of "Attending physicians-Private patient" created by professional medical resources and internet medical platform, which enables physicians to efficiently manage their own patients by using fragmented time, meets the requirements of medical and health institutions for patient follow-up management and accumulates disease management data from the real-world. By collaboration with industry-leading resources, the Group will also explore and develop digital medical products for chronic disease patients, and create a fully-integrated medical ecosystem covering disease prevention and screening, diagnosis and treatment, functional rehabilitation and health management. With medical expertise as the core, internet medical platform as the conduit, and digital technology as the grip, the Group strives to improve the efficiency of chronic disease diagnosis and treatment, as well as to bring changes to healthcare outcome of patients. For this purpose, the Group will introduce talents in areas of high-end technologies of internet medical system, development and operation management of digital products and medical and health markets with a view to jointly creating the innovative medical and health ecological system of Mediwelcome.

## Financial Review

### Revenue

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

The Group’s revenue increased by 145.0% from approximately RMB138.7 million for the six months ended 30 June 2020 to approximately RMB339.8 million for the six months ended 30 June 2021. 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			
	2021		2020	
	(RMB’000)		(RMB’000)	
Medical conference services	208,510	61.4%	75,087	54.1%
Patient education and screening services	74,321	21.9%	27,453	19.8%
Marketing strategy and consulting services	51,046	15.0%	33,151	23.9%
CRO services	4,092	1.2%	2,920	2.1%
Internet hospital services	1,827	0.5%	70	0.1%
Total	<u>339,796</u>	<u>100.0%</u>	<u>138,681</u>	<u>100.0%</u>

### Medical Conference Services

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

Revenue from medical conference services increased by 177.7% from approximately RMB75.1 million for the six months ended 30 June 2020 to approximately RMB208.5 million for the six months ended 30 June 2021, primarily due to the increase in the revenue generated from online medical seminars. After the outbreak of COVID-19, more medical NGOs and pharmaceutical companies have engaged the Group to organize online medical seminars and six new projects contributed a revenue of approximately RMB129.9 million during the Reporting Period.

### *Patient Education and Screening Services*

Patient education and screening services of the Group allow patients to administer better self-care and disease control, which will lower the burden on the healthcare system in the long run. Revenue from patient education and screening services increased by 170.7% from approximately RMB27.5 million for the six months ended 30 June 2020 to approximately RMB74.3 million for the six months ended 30 June 2021 as the Group has successfully shifted most of its onsite patient education and screening services to its online platforms which can access more participants and increase the contract value of each project. During the Reporting Period, the Group recognized revenue of approximately RMB49.9 million for projects with online educational programs, which was 113.2% higher than the revenue of approximately RMB23.4 million in the corresponding period last year.

### *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 54.0% from approximately RMB33.2 million for the six months ended 30 June 2020 to approximately RMB51.0 million for the six months ended 30 June 2021 due to the market expansion of the Group's top three customers. These three customers actively engaged the Group for marketing strategy and consulting services in order to expand their markets. The Group recognized revenue of approximately RMB15.9 million for the provision of such services to them during the Reporting Period.

### *CRO Services and Internet Hospital Services*

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

Revenue from CRO services increased by 40.1% from approximately RMB2.9 million for the six months ended 30 June 2020 to approximately RMB4.1 million for the six months ended 30 June 2021 due to the Group's successful development and expansion of the CRO services which was newly launched in late 2019.

The Group has developed the mobile platforms, Mediwelcome Doctor+ (麥迪衛康醫加) and Doctor+ for Doctor (醫加醫生端), to provide internet hospital services. Currently, physicians' existing patients can schedule online follow-up consultations, obtain e-prescriptions and purchase medicine through the platform. Revenue from internet hospital services increased by 2,510% from approximately RMB0.1 million for the six months ended 30 June 2020 to approximately RMB1.8 million for the six months ended 30 June 2021, representing the significant increase in the number of active patient users purchasing prescribed medicine through the Group's internet hospital platform. The active patient number increased from 3,194 as at 30 June 2020 to 6,918 as at 30 June 2021.

### ***Cost of sales***

The Group's cost of sales which mainly represent speaker fee paid to physicians, venue costs and staff costs increased by 175.0% from approximately RMB110.5 million for the six months ended 30 June 2020 to approximately RMB304.0 million for the six months ended 30 June 2021, which was generally in line with the increase in the Group's revenue.

### ***Gross profit and gross profit margin***

As a result of the foregoing, the Group's overall gross profit increased by approximately RMB7.7 million from approximately RMB28.1 million for the six months ended 30 June 2020 to approximately RMB35.8 million for the six months ended 30 June 2021, which was generally in line with the increase in the Group's revenue. The Group's overall gross profit margin decreased from 20.3% for the six months ended 30 June 2020 to 10.5% for the six months ended 30 June 2021, primarily due to (i) the increase in online medical seminars and online patient education which have lower profit margin as compared to other service types; and (ii) attractive pricing strategy to obtain more sizeable and well reputation customers, including famous pharmaceutical companies, medical associations and foundations in order to gain market share.

### ***Other income, gains and losses***

Other income, gains and losses mainly consist of government grants, bank interest income and value-added tax refund. The Group's other income, gains and losses increased by 610.0% from approximately RMB1.0 million for the six months ended 30 June 2020 to approximately RMB7.2 million for the six months ended 30 June 2021, primarily attributable to the government subsidy of approximately RMB5.0 million in connection with the successful listing of the Company and the increase in value-added tax refund.

### ***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 76.9% from approximately RMB5.8 million for the six months ended 30 June 2020 to approximately RMB10.2 million for the six months ended 30 June 2021, primarily due to (i) the recognition of share-based compensation expenses of approximately RMB1.4 million and; (ii) the increase in staff costs and travel and business development expenses in relation to the overall expansion of the Group's services.

### ***Administrative expenses***

Administrative expenses mainly represent the salaries and benefits of the administrative and management staff, professional consulting fees, share-based compensation expenses, depreciation and other miscellaneous administrative expenses. The Group's administrative expenses increased by 68.4% from approximately RMB18.3 million for the six months ended 30 June 2020 to approximately RMB30.8 million for the six months ended 30 June 2021, primarily due to the recognition of share-based compensations of approximately RMB8.1 million and increase in travel and business expenses as a result of the overall expansion of the Group.

### ***Research and development expenses***

The Group's research and development expenses decreased by 11.5% from approximately RMB7.2 million for the six months ended 30 June 2020 to approximately RMB6.4 million for the six months ended 30 June 2021, representing the decrease in the Group's research and development expenses primarily due to more resources and headcounts were incurred to develop the Group's internet hospital services during the six months ended 30 June 2020.

### ***Listing expenses***

The Group recorded listing expenses increased by 222.7% from approximately RMB3.5 million for the six months ended 30 June 2020 to approximately RMB11.3 million for the six months ended 30 June 2021, primarily attributable to (i) a significant portion of service fees of professional parties in connection with the listing were recognized upon the completion of the Company's listing; (ii) the increase in reimbursements of professional parties; and (iii) additional printing expenses were recognized in connection to the Company's listing.

### ***Finance costs***

The Group's finance costs increased by 72.2% from approximately RMB0.4 million for the six months ended 30 June 2020 to approximately RMB0.6 million for the six months ended 30 June 2021, primarily attributable to the increase in interest expense on lease liabilities due to office expansion, which was in line with the Group's service line expansion strategy.

### ***Income tax (expense)/credit***

The Group recorded income tax expense of approximately RMB1.8 million for the six months ended 30 June 2021 as compared with income tax credit of approximately RMB0.6 million for the six months ended 30 June 2020, primarily due to increase in operating profit from the entities of the Group in the People's Republic of China (the "PRC").

### ***Loss for the period***

The Group's loss for the period increased by 305.8% from approximately RMB4.0 million for the six months ended 30 June 2020 to approximately RMB16.3 million for the six months ended 30 June 2021 due to the net effects of (i) sales increase driven by online medical seminars and online patient education; (ii) the increase in listing expenses; and (iii) the recognition of share-based compensation expenses as a result of the grant of 15,170,000 restricted share units ("RSUs") under the restricted share unit scheme ("RSU Scheme") on 25 June 2021.

### ***Other comprehensive income***

The Group recorded other comprehensive income of approximately RMB25.4 million for the six months ended 30 June 2021, representing an increase of 405.9% as compared with other comprehensive income of approximately RMB5.0 million for the six months ended 30 June 2020, primarily due to the increase in unrealized fair value gains on the Group's investment in unlisted equity securities.

### ***Trade receivables***

Trade receivables represent outstanding amounts due from customers for services that the Group has provided in the ordinary course of business. The Group's trade receivables decreased from approximately RMB78.4 million as at 31 December 2020 to approximately RMB67.3 million as at 30 June 2021 due to better control on settlement of customer trade balances.

### ***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 RMB26.2 million as at 31 December 2020 to approximately RMB20.2 million as at 30 June 2021 as the Group has been shifting its business to online platforms, resulting in the decrease in amounts payable to third party suppliers.

### ***Financial assets at fair value through profit or loss***

The Group's financial assets at fair value through profit or loss mainly represent financial products that the Group purchased. These financial products were primarily low risk structured fixed deposit from reputable PRC commercial banks with maximum three-month maturity, 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 2021 had an expected rate of return of 2.42% to 4.00% per annum depending on the returns of the derivatives.

As at 30 June 2021, the fair value of the Group's financial assets at fair value through profit or loss was approximately RMB41.0 million, details of which are summarised below:

<b>Issuer</b>	<b>Name of wealth management products</b>	<b>Fair value as at 30 June 2021 RMB'000</b>	<b>Size as compared to the Company's total assets as at 30 June 2021</b>
Bank of Beijing Co., Ltd.	Bank of Beijing Jihua Yuanjian Institutional Yitaojin Wealth Management Scheme (北京銀行京華遠見機構易淘金理財管理計劃)	14,000	3.5%
Bank of Communications Co., Ltd.	BoCom Yuntong Wealth Current Structured Deposit S Series (交通銀行蘊通財富結構性存款S款)	14,000	3.5%
China Merchants Bank Co., Ltd.	Ririxin 80008 (日日鑫80008號)	2,000	0.5%



Issuer	Name of wealth management products	Fair value as at 30 June 2021 <i>RMB'000</i>	Size as compared to the Company's total assets as at
			30 June 2021
China Zheshang Bank Co., Ltd.	Shengxinying B-1 (升鑫贏B-1號)	4,000	1.0%
China Guangfa Bank Co., Ltd.	Xingfulicai (“幸福理財”幸福添福系列人民幣理財計劃)	4,000	1.0%
Everbright Wealth Management Co., Ltd.	CEB Cash A (光銀現金A)	3,000	0.8%

The Group invested in these financial products during the six months ended 30 June 2021 with an aim to enhance its income by generating higher yield than cash deposits, while maintaining a stable liquidity at low level risk. The Group generally limits its investments in financial products to low-risk, short-term products from reputable PRC commercial banks.

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

### Treasury policy

The Group's funding and treasury policies are designed to strengthen the internal control and management of the Group's overall financial position and to mitigate the Group's financial risks, and to better regulate the Company's financial behavior and improve the efficiency of the use of funds. The policies manage the use of the Group's funds in foreign investments and fund raising activities.

### Net current assets

As at 30 June 2021, the Group had net current assets of approximately RMB201.1 million, as compared with net current assets of approximately RMB117.2 million as at 31 December 2020.

### 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 2021, the Group had bank balances and cash of approximately RMB139.3 million, representing an increase of 56.6% from approximately RMB89.0 million as at 31 December 2020. The Group's principal sources of liquidity and capital resources are cash from operating activities. The Group monitors cash flows and cash balance on a regular basis and strive to maintain an optimal liquidity that can meet its working capital needs while supporting a healthy level of business scale and expansion.

### **Indebtedness**

The Group's indebtedness represents lease liabilities. As at 30 June 2021, the Group, as a lessee, had outstanding current and non-current lease liabilities of approximately RMB24.3 million as compared with approximately RMB25.4 million as at 31 December 2020. The lease liabilities represent payment for the right to use underlying assets, which is unsecured and unguaranteed.

As at 30 June 2021, the Group did not enter into any banking facility agreement and had no unutilized banking facilities. As a result, the Group's gearing ratio (calculated as total bank and other borrowings divided by total equity) as at 30 June 2021 was nil (31 December 2020: nil).

### **Capital expenditures**

As at 30 June 2021, capital expenditures of the Group significantly increased to approximately RMB23.2 million for the six months ended 30 June 2021 as compared with approximately RMB8.5 million for the six months ended 30 June 2020. These capital expenditures were related to (i) purchases of property, plant and equipment; and (ii) expenses for research and development activities capitalized as intangible assets. The Group is expected to incur expenses to develop computer and mobile software and platforms for its internet hospital services which may be capitalized. These expenses will be financed by net proceeds from the global offering of the Company (the "**Global Offering**") in the manner consistent with that as mentioned in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 31 December 2020 (the "**Prospectus**") and cash flow from operating activities.

### **Capital structure**

The shares of the Company ("**Shares**") were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 January 2021 (the "**Listing Date**"). There has been no change in the capital structure of the Group since then.

As at 30 June 2021, the total number of issued shares of the Company was 200,000,000.

## **Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the 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 2021, the Group did not have any material contingent liabilities (31 December 2020: nil).

## **Pledge of assets**

As at 30 June 2021, the Group did not pledge any of its assets (31 December 2020: nil).

## **Human resources**

As at 30 June 2021, the Group had 411 employees (30 June 2020: 402 employees) as a result of the increase in headcount due to the development of overall expansion of the Group's services. For the six months ended 30 June 2021, the staff cost recognised as expenses of the Group amounted to approximately RMB39.7 million, representing an increase of 32.0% from approximately RMB30.0 million for the six months ended 30 June 2020. The increase was mainly attributable to the increase in proportion of employees with higher income, increase in headcounts, and approximately RMB9.7 million share-based compensations was recognized due to the grant of 15,170,000 RSUs during the Reporting Period.

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

Furthermore, the Company has conditionally adopted the RSU 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**

The Company's shares were listed on the Main Board of the Stock Exchange on 19 January 2021. 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 2021.

## **EVENTS AFTER REPORTING PERIOD**

### **Disposal of part of equity interests in Lingchuang Yigu**

On 2 July 2021, the Group entered into a sale and purchase agreement with an independent third party to dispose 3.29% of the equity interests in Beijing Lingchuang Yigu Technology Development Co., Ltd.\* (北京領創醫谷科技發展有限責任公司) ("**Lingchuang Yigu**") at a consideration of RMB10 million in cash (the "**Disposal**"). The consideration was determined after arm's length negotiation between the Group and the independent third party with reference to the latest business and development for future prospects of Lingchuang Yigu. The consideration was received on 13 July 2021. Upon completion of the Disposal, the Group holds a remaining of 6.95% of equity interest in Lingchuang Yigu. As at the date of this announcement, the Disposal has not yet been completed.

### **Subscription of new registered capital of an equity instrument**

On 4 August 2021, the Group entered into a capital increase agreement in relation to the subscription of new registered capital of Shanghai Bohuikang Biological Technology Co., Ltd.\* (上海柏慧康生物科技股份有限公司) at a consideration of RMB10 million in cash (the "**Subscription**"). Upon completion of the Subscription, the Group will hold a total of 19.4117% of equity interest in Shanghai Bohuikang Biological Technology Co., Ltd.\* (上海柏慧康生物科技股份有限公司). Details of the Subscription are set out in the announcement of the Company dated 4 August 2021.

Save as disclosed above, there were no significant events after 30 June 2021 and up to date of this announcement.

## RSU SCHEME

The Company has conditionally adopted the RSU Scheme by a resolution of the shareholders of the Company (the “**Shareholders**”) and a resolution of the Board on 18 September 2019. The RSU Scheme is not subject to the provisions of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the RSU Scheme does not involve the grant of options by the Company to subscribe for new Shares.

The purposes of the RSU Scheme is to reward the Participants (as defined in the Prospectus) for their contribution to the success of the Group, and to provide incentives to them to further contribute to the Group. An award of restricted share under the RSU Scheme (the “**Award(s)**”) gives a Participant in the RSU Scheme a conditional right when the Award vests to obtain Shares on or about the date of vesting, as determined by the Board in its absolute discretion.

The RSU Scheme shall be valid and effective for a period of 10 years commencing from 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.

On 25 June 2021, an aggregate of 15,170,000 Awards were granted under the RSU Scheme. Among the 15,170,000 Awards, 9,100,000 Awards were granted to the Directors and 6,070,000 Awards were granted to other employees of the Group, details of which are set out below:

<b>Grantee</b>	<b>Position held with the Company</b>	<b>Number of Awards granted</b>
Mr. Shi Wei	Executive Director, Chairman of the Board	2,600,000
Mr. Wang Liang	Executive Director, Chief Executive Officer	2,400,000
Mr. Sui Huijun	Executive Director, Vice President	2,000,000
Mr. He Jiyong	Executive Director, Chief Financial Officer	1,300,000
Mr. Wang Wei	Executive Director, Vice President	800,000
<b>Sub-total of RSUs granted to the Directors</b>		<u>9,100,000</u>
Other employees of the Group		<u>6,070,000</u>
<b>Total</b>		<u><u>15,170,000</u></u>

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

Save as disclosed herein, no Award had been granted or agreed to be granted under the RSU Scheme during the Reporting Period.

## 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 and no option had been granted by the Company up to the date of this announcement.

The Share Option Scheme is a share incentive scheme and is established to recognize and motivate the contributions that eligible persons (as defined in the Prospectus) have made or may make to the Group.

Subject to the terms and conditions of the Share Option Scheme, the maximum numbers of Shares in respect of which options may be granted under the Share Option Scheme and any other schemes shall not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (i.e. 20,000,000 Shares) unless approved by the shareholders of the Company.

Subject to earlier termination by the Company in general meeting, the Share Option Scheme shall be valid and effective for a period of ten years from the date of adoption. As at the date of this announcement, no share option has been granted under the Share Option Scheme and the total number of securities available for issue under the Share Option Scheme is 20,000,000 Shares, representing 10% of the issued Shares as at the date of this announcement.

## AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Yang Xiaoxi, Mr. Fei John Xiang and Mr. Song Ruilin. Mr. Yang Xiaoxi is the chairman of the Audit Committee. At least one of the committee members possesses appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules and none of the committee members is a former partner of or has any financial interest in the Company’s existing external auditor within two years before his appointment as a member of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit, relationship with the external auditors, and arrangements that employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters in the Company. The Audit Committee is also responsible for performing the Company’s corporate governance functions as set out in code provision D.3.1 of the CG Code.

The Audit Committee has reviewed the interim results of the Group for the six months ended 30 June 2021. The Audit Committee and the Company’s management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions set out in the CG Code during the period from the Listing Date to 30 June 2021.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (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 all the Directors have confirmed that they have complied with the Model Code throughout the period from the Listing Date to the date of this announcement.

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 with the Employees Written Guidelines by the employees was noted by the Company.

## DIVIDEND

The Board resolved not to declare the payment of any interim dividend in respect of the six months ended 30 June 2021 (2020: Nil).

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.mediwelcome.com](http://www.mediwelcome.com)). The interim report of the Company for the six months ended 30 June 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

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

Hong Kong, 30 August 2021

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

\* For identification purpose only