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Mediwelcome Healthcare Management & Technology Inc.

麥迪衛康健康醫療管理科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2159)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of Mediwelcome Healthcare Management & Technology Inc. (麥迪衛康健康醫療管理科技股份有限公司) (“**Mediwelcome**” or the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Year**” or the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Revenue	3	323,374	708,358
Cost of sales		<u>(290,822)</u>	<u>(614,762)</u>
Gross profit		32,552	93,596
Other income, gains and losses	4	7,246	9,077
Selling expenses		(25,476)	(16,520)
Administrative expenses		(50,087)	(59,321)
Research and development expenses		(50,612)	(18,696)
Listing expenses		—	(8,904)
Finance costs	5	(1,246)	(1,257)
(Impairment losses)/reversal of impairment losses on trade receivables		<u>(3,412)</u>	<u>7,613</u>
(Loss)/profit before taxation	6	(91,035)	5,588
Income tax expense	7	<u>(2,708)</u>	<u>(386)</u>
(Loss)/profit for the year		(93,743)	5,202
Other comprehensive (loss)/income			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value change of equity investments at fair value through other comprehensive income		<u>(5,763)</u>	<u>4,181</u>
Total comprehensive (loss)/income for the year		<u>(99,506)</u>	<u>9,383</u>
(Loss)/profit for the year attributable to:			
— Owners of the Company		(89,202)	4,645
— Non-controlling interests		<u>(4,541)</u>	<u>557</u>
		<u>(93,743)</u>	<u>5,202</u>
Total comprehensive (loss)/income for the year attributable to:			
— Owners of the Company		(94,965)	8,826
— Non-controlling interests		<u>(4,541)</u>	<u>557</u>
		<u>(99,506)</u>	<u>9,383</u>
(Loss)/earnings per share			
— Basic (loss)/earnings per share (RMB cents)	9	(48.01)	2.56
— Diluted (loss)/earnings per share (RMB cents)		<u>(48.01)</u>	<u>2.55</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		4,968	6,808
Right-of-use assets		10,434	17,623
Equity instruments at fair value through other comprehensive income		16,154	22,565
Goodwill		–	3,115
Intangible assets		30,561	37,944
Deferred tax assets		1,407	619
Prepayments, deposits and other receivables		3,036	2,708
		<u>66,560</u>	<u>91,382</u>
Current assets			
Trade receivables	<i>10</i>	76,690	84,246
Contract costs		18,032	12,536
Prepayments, deposits and other receivables		1,709	3,707
Financial assets at fair value through profit or loss		15,450	9,500
Tax recoverable		814	–
Bank balances and cash		138,571	165,329
		<u>251,266</u>	<u>275,318</u>
Total assets		<u>317,826</u>	<u>366,700</u>
LIABILITIES			
Current liabilities			
Trade payables	<i>11</i>	34,021	27,413
Contract liabilities		37,051	5,800
Other payables and accruals		19,009	14,436
Lease liabilities		8,906	9,525
Borrowings		9,089	–
Tax payable		–	96
		<u>108,076</u>	<u>57,270</u>
Net current assets		<u>143,190</u>	<u>218,048</u>
Total assets less current liabilities		<u>209,750</u>	<u>309,430</u>

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Non-current liabilities			
Deferred tax liabilities		405	287
Lease liabilities		8,486	15,656
		<u>8,891</u>	<u>15,943</u>
Net assets		<u>200,859</u>	<u>293,487</u>
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		1	1
Reserves		195,021	283,108
		<u>195,022</u>	<u>283,109</u>
Non-controlling interests		<u>5,837</u>	<u>10,378</u>
Total equity		<u>200,859</u>	<u>293,487</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 2020. 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 28th Floor, AIA Central, 1 Connaught Road Central, Central, Hong Kong. The shares of the Company (“**Shares**”) have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 19 January 2021 (“**Listing Date**”).

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the year ended 31 December 2022 are consistent with those adopted in the consolidated financial statements for the year ended 31 December 2021, unless otherwise stated.

2.1 Basis of preparation

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

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

Adoption of new and revised HKFRSs

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

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

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

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

		Effective for annual periods beginning on or after
HKFRS 17 and Amendments to HKFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024

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

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group’s equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group’s interests in existing subsidiaries

Changes in the Group’s interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group’s relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group’s and the non-controlling interests’ proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* (“**HKFRS 9**”) or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. REVENUE AND SEGMENT INFORMATION

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

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i>
The Group’s (loss)/profit before taxation	(91,035)	5,588
Add: Listing expenses	–	8,904
Less: Other income, gains and losses	(7,246)	(9,077)
Operating (loss)/profit presented to the CODM	<u>(98,281)</u>	<u>5,415</u>

Revenue by service type as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Medical conference services	166,760	424,183
Patient education and screening services	28,554	152,109
Marketing strategy and consulting services	102,977	121,182
Contract research organisation services	6,436	6,566
Internet hospital services	4,004	4,318
Digital marketing and sales solutions services	14,643	–
Total revenue	<u>323,374</u>	<u>708,358</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Timing of revenue recognition		
At a point in time	322,696	706,890
Over time	678	1,468
Total revenue	<u>323,374</u>	<u>708,358</u>

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

	2022	2021
Customer A	20%	10%
Customer B (<i>Note (a)</i>)	10%	–
Customer C (<i>Note (b)</i>)	–	19%

Note (a): The percentage of contribution is not applicable for Customer B in 2021 as it contributed less than 10% in the period.

Note (b): The percentage of contribution is not applicable for Customer C in 2022 as it contributed less than 10% in the 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.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within one year	<u>478,390</u>	<u>312,946</u>

4. OTHER INCOME, GAINS AND LOSSES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Foreign exchange gain/(loss), net	2,786	(771)
Loss on disposal of property, plant and equipment	–	(16)
Bank interest income	623	792
Gain on fair value changes of financial assets at FVTPL	1,268	1,031
Government subsidy (<i>Note</i>)	102	5,088
Value added tax refund	2,530	2,802
Others	(63)	151
	<u>7,246</u>	<u>9,077</u>

Note:

Amount represented subsidy on the Group's business development without any specific conditions attached to the subsidy.

5. FINANCE COSTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest expense on lease liabilities	1,175	1,257
Interest expense on borrowings	71	–
	<u>1,246</u>	<u>1,257</u>

6. (LOSS)/PROFIT BEFORE TAXATION

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit before taxation has been carried at after charging:		
Auditor's remuneration		
— audit services	1,241	1,308
— non-audit services	–	1,009
	<u>1,241</u>	<u>2,317</u>
Depreciation of property, plant and equipment	3,249	3,254
Depreciation of right-of-use assets	7,189	8,355
Amortisation of intangible assets (included in cost of sales)	10,270	7,890
Short-term lease payments	–	22
Staff costs:		
— Fee and salaries (including directors' remuneration)	69,863	53,196
— Staff retirement benefit costs (including directors' retirement benefit scheme contributions)	6,921	5,351
— Social security costs, housing benefits and other employee benefits (including directors' social security costs, housing benefits and other benefits)	10,985	8,180
— Share-based compensation	6,828	14,457
	<u>94,597</u>	<u>81,184</u>

7. INCOME TAX EXPENSE

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax	–	–
Under/(over)provision of taxation for previous years	<u>2,730</u>	<u>(737)</u>
	2,730	(737)
Deferred tax	<u>(22)</u>	<u>1,123</u>
	<u><u>2,708</u></u>	<u><u>386</u></u>

(a) PRC enterprise income tax (“EIT”)

EIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC for both years calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The EIT rate is 25% during both years.

One of the entities comprising the Group was approved to be the High and New Technology Enterprise (“HNTTE”) on 31 October 2018 and renewed the certificate on 17 December 2021, and the entity enjoyed the preferential tax rate of 15% for HNTTE from 2018 to 2024. Another entity comprising the Group was approved to be the HNTTE on 2 December 2019 and is eligible to enjoy the preferential tax rate for HNTTE of 15% from 2019 to 2022. The HNTTE 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 years.

For the year ended 31 December 2022, ten (2021: four) of the entities comprising the Group is qualified as small and micro-sized enterprises (“SMEs”) for tax reduction. For the first RMB1 million of annual taxable income is eligible for 87.5% (2021: 87.5%) reduction and the income between RMB1 million and RMB3 million is eligible for 75% (2021: 50%) reduction at the applicable EIT tax rate of 20% (2021: 20%).

No provision for taxation in Hong Kong has been made as the Group’s income neither arises in, nor is derived from, Hong Kong for both years.

(b) PRC withholding tax (“WHT”)

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after 1 January 2008 are generally subject to a 10% WHT. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was provided as at 31 December 2022 and 2021.

The income tax expense for the year can be reconciled to the (loss)/profit before taxation per the consolidated statement of comprehensive income as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit before taxation	(91,035)	5,588
Tax calculated at PRC statutory tax rate of 25% (2021: 25%)	(22,759)	1,397
Tax effect of expenses that are not deductible for tax purposes	1,505	1,447
Tax effect of tax losses and temporary difference not recognised	26,961	1,621
Tax effect of utilisation of tax losses previously not recognised	–	(859)
Tax effect of additional tax reduction for eligible research and development expenses	(5,729)	(2,795)
Tax effect of different tax rate of a subsidiary qualified as HNTE	–	554
Under/(over) provision of taxation for previous years	2,730	(737)
Tax effect of additional tax reduction for SMEs	–	(242)
Income tax expense	2,708	386

8. DIVIDEND

The directors of the Company do not recommend the payment of any dividend in respect of the year ended 31 December 2022 (2021: Nil).

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares during the year.

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
(Loss)/profit attributable to owners of the Company	(89,202)	4,645
Weighted average number of ordinary shares in issue in the basic earnings per share calculation (in thousands)	185,817	181,205
Effect of issue of unvested restricted share units (“RSUs”) (in thousands)	N/A	1,013
Weighted average number of ordinary shares in issue in the diluted earnings per share calculation (in thousands)	N/A	182,218

The computation of diluted loss per share for the year ended 31 December 2022 does not assume the issue of the Company’s unvested RSUs their assumed issue would result in a decrease in loss per share.

10. TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Receivables from third parties	83,446	87,590
Less: allowance for credit losses	<u>(6,756)</u>	<u>(3,344)</u>
	<u>76,690</u>	<u>84,246</u>

Note:

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

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 90 days	72,365	79,839
91 days to 180 days	4,325	4,007
181 days to 365 days	<u>–</u>	<u>400</u>
	<u>76,690</u>	<u>84,246</u>

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Neither past due nor impaired	72,365	79,839
0-90 days past due	4,325	4,007
Over 90 days	<u>–</u>	<u>400</u>
	<u>76,690</u>	<u>84,246</u>

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

11. TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Payables to third parties	34,021	27,413

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Up to 90 days	26,284	21,721
91 days to 180 days	2,799	1,539
181 days to 360 days	1,932	1,873
Over 360 days	3,006	2,280
	34,021	27,413

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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

In 2022, the pandemic in China continued to escalate and spread across the country since the second quarter of the year, resulting in tremendous pressure and challenges to the Group's business. Meanwhile, the Group continued to make every effort to accelerate the construction and deployment of its medical digital marketing and sales solutions services to drive the recovery and growth of the Group's business in the post-pandemic era.

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

The Group is committed to the integration of medical digital marketing platforms by introducing Artificial Intelligence Generated Content (“AIGC”) to the Giraffe Smart Medical Platform on the basis of its self-developed products such as Digital Patient Management, E Conference, Live Steaming, Deer Class, E Creation, E Insight, etc. to form clusters of doctors in the Group's segmented, specialized disease areas and provide innovative, efficient and high-quality solutions for customers. Meanwhile, the Group has launched the Collaboration Platform for Clinical Scientific Research of Giraffe Medical Research Society at the end of the year to establish an academic and scientific research system for providing precise clinical research and academic practice services for various stakeholders of medical industry in the specialized disease areas, including hospitals, doctors, patients, pharmaceutical and medical equipment companies, etc. The two platforms will enable the Group to expand its clusters of doctors and the field of specialized disease, as well as to attract investment from various stakeholders in the medical industry, so as to improve the Group's revenue and profit.

As at 31 December 2022, the Group's platforms have enrolled 441,173 registered doctor users, held 48,267 online education sessions with doctors and 26,441 online education sessions for patients, livestreamed 6,618 times, with 15,691 videos available and viewed by 1,491,442 visitors, and 325,381 academic output available (survey questionnaires, academic slideshows, articles on 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. The Group's online healthcare platform, on top of providing doctors and patients with consistent and quality online medical service solutions, has also actively developed products and services of digital management for patients with chronic illnesses in the out-of-hospital context. As at 31 December 2022, the number of its registered doctor and patient users has reached 46,190 and 243,418, representing an increase of 50.2% and 180.7%, respectively, as compared to those as at 31 December 2021.

OUTLOOK

Plans for the Group's development in 2023

1. Continue to enhance the scale of business

Through the Giraffe Smart Medical Platform and Collaboration Platform for Clinical Scientific Research of Giraffe Medical Research Society, the Group provides customers with innovative technical support and targeted, convergent and efficient marketing solutions. The digital platform with precise access targeting doctors and patients provide customers with integrated digital and intelligent marketing solutions and create a closed-loop digital operation of a digital integrated marketing system synergised by both offline and online channels throughout the process.

In 2023, utilising its internal and external strengths and resources, the Group will focus more on customer development for digital marketing in the healthcare market built upon integrated medical marketing services, providing new customer groups with targeted, convergent and efficient solutions for digital medicine and marketing and delivering the latest medical technology and knowledge to more target customers. At the same time, the Group will sustain its effort to build a digital platform with precise access targeting doctors and patients, providing customers with integrated digital and intelligent marketing solutions using a digital integrated marketing system synergised by both offline and online channels, so as to create a closed loop for the whole process of digital operation.

2. *Continue to expand*

With the advent of the post-pandemic era, the rapid recovery of marketing and promotional needs of the Group's existing customers, and the rise of the innovative biopharmaceutical industry in China, the Group will continue to optimise its products and services and leverage the favorable health policy environment and its own resources to maintain revenue growth of its professional medicine and marketing services in the traditional cardiovascular and cerebrovascular discipline, with a focus on expanding its business in the fields of oncology, respiratory and chronic renal diseases to increase the coverage of customers from domestic enterprises.

3. *Explore and innovate*

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

The Group actively utilizes the industry's superior resources and experience, introduces innovative technologies and smart devices, and empowers the Group's 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.

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

Financial Review

Revenue

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

The Group’s revenue decreased by approximately 54.3% from approximately RMB708.4 million for the year ended 31 December 2021 to approximately RMB323.4 million for the year ended 31 December 2022. The following table sets forth a breakdown of the Group’s revenue by service type for the years indicated:

	For the year ended 31 December			
	2022		2021	
	(RMB’000)		(RMB’000)	
Medical conference services	166,760	51.6%	424,183	59.9%
Marketing strategy and consulting services	102,977	31.8%	121,182	17.1%
Patient education and screening services	28,554	8.8%	152,109	21.5%
Digital marketing and sales solutions services	14,643	4.5%	–	–
CRO services	6,436	2.0%	6,566	0.9%
Internet hospital services	4,004	1.3%	4,318	0.6%
Total	<u>323,374</u>	<u>100.0%</u>	<u>708,358</u>	<u>100.0%</u>

Medical Conference Services

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

Revenue from medical conference services decreased by approximately 60.7% from approximately RMB424.2 million for the year ended 31 December 2021 to approximately RMB166.8 million for the year ended 31 December 2022, primarily due to the resurgence of the pandemic and the short term lock-down in various provinces of the PRC throughout the Year, under which, certain projects of the Group that were scheduled to be completed during the Year have been delayed to the following 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 to enhance their brands and product awareness among physicians. Revenue from marketing strategy and consulting services decreased by approximately 15.0% from approximately RMB121.2 million for the year ended 31 December 2021 to approximately RMB103.0 million for the year ended 31 December 2022 due to the economic slowdown caused by the prolonged COVID-19 pandemic. Certain projects of the Group that were scheduled to be completed during the Year have been delayed to the following year.

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 81.2% from approximately RMB152.1 million for the year ended 31 December 2021 to approximately RMB28.6 million for the year ended 31 December 2022 due to the resurgence of the pandemic and the short term lock-down in various provinces of the PRC. Certain projects of the Group that were scheduled to be completed during the Year have been delayed to the following year.

Digital Marketing and Sales Solutions Services

The Group utilises its own newly developed digital marketing integration platform to assist pharmaceutical companies in formulating and implementing effective digital marketing and sales solutions during the Reporting Period. 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 RMB14.6 million for the year ended 31 December 2022.

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 was approximately RMB6.4 million for the year ended 31 December 2022, which remained stable as compared approximately RMB6.6 million for the year ended 31 December 2021.

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 platforms. Revenue from internet hospital services decreased by approximately 7.3% from approximately RMB4.3 million for the year ended 31 December 2021 to approximately RMB4.0 million for the year ended 31 December 2022, primarily attributable to the one-off genetic test income of approximately RMB0.7 million in 2021. If the one-off genetic test income is excluded, there was an approximate 11.1% increase in revenue from internet hospital services for the year ended 31 December 2022, as compared to previous year.

Cost of sales

The Group's cost of sales, which mainly represent speaker fee paid to physicians, venue costs and staff costs, decreased by approximately 52.7% from approximately RMB614.8 million for the year ended 31 December 2021 to approximately RMB290.8 million for the year ended 31 December 2022, which was generally in line with the decrease in the Group's revenue.

Gross profit and gross profit margin

As a result of the foregoing, the Group's overall gross profit decreased by approximately RMB61.0 million from approximately RMB93.6 million for the year ended 31 December 2021 to approximately RMB32.6 million for the year ended 31 December 2022. The Group's overall gross profit margin decreased from 13.2% for the year ended 31 December 2021 to 10.1% for the year ended 31 December 2022, primarily due to certain offline projects with higher gross profit margin that were scheduled to be completed during the Year have been delayed to the following year.

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 decreased by approximately 20.2% from approximately RMB9.1 million for the year ended 31 December 2021 to approximately RMB7.2 million for the year ended 31 December 2022, primarily attributable to the one-off government subsidy of approximately RMB5.0 million granted in 2021 in connection with the successful listing of the shares of the Company (the "Share(s)") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 January 2021.

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 54.2% from approximately RMB16.5 million for the year ended 31 December 2021 to approximately RMB25.5 million for the year ended 31 December 2022, primarily due to (i) the implementation of marketing strategies of approximately RMB4.7 million to enhance the customer networks and promote the service of the Group; and (ii) the increase in staff costs in relation to the original expansion plan of the Group's strategy.

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 15.6% from approximately RMB59.3 million for the year ended 31 December 2021 to approximately RMB50.1 million for the year ended 31 December 2022, primarily due to (i) the decrease in recognition of share-based compensations; (ii) the decrease in staff costs and travel and business expenses; and (iii) the decrease in depreciation of right-of-use of assets of the Group.

Research and development expenses

The Group's research and development expenses increased by approximately 170.7% from approximately RMB18.7 million for the year ended 31 December 2021 to approximately RMB50.6 million for the year ended 31 December 2022, mainly due to the increase in the Group's research and development expenses to carry out the research and development projects, including digital marketing solutions, digital medical solutions, and development of an artificial intelligent online platform.

Listing expenses

The Group did not record any listing expenses for the year ended 31 December 2022 (31 December 2021: approximately RMB8.9 million).

Finance costs

Finance costs mainly represent the interest expense on lease liabilities. The Group's finance costs had no material change, which amounted to approximately RMB1.3 million for the year ended 31 December 2021 and approximately RMB1.2 million for the year ended 31 December 2022.

Income tax expense

The Group recorded income tax expense of approximately RMB2.7 million for the year ended 31 December 2022 as compared with income tax expense of approximately RMB0.4 million for the year ended 31 December 2021, primarily due to the underprovision for income tax expense for the year ended 31 December 2021.

(Loss)/profit for the year

The Group recorded a loss for the year of approximately RMB93.7 million for the year ended 31 December 2022 as compared to a profit for the year of approximately RMB5.2 million for the year ended 31 December 2021, due to (i) the significant decrease in gross profit for the Year, primarily attributable to the decrease in the Group's revenue as a result of the resurgence of the pandemic and the short term lock-down in various provinces of the PRC throughout the Year, under which, certain projects of the Group that were scheduled to be completed during the Year have been delayed to the following year; (ii) the decrease in government subsidy by approximately RMB5.0 million; and (iii) the increase in research and development expenses for the Year of approximately RMB31.9 million to carry out the research and development projects, including digital medical solutions, artificial intelligent robot and online platform.

Other comprehensive (loss)/income

The Group recorded other comprehensive loss of approximately RMB5.8 million for the year ended 31 December 2022, as compared with other comprehensive income of approximately RMB4.2 million for the year ended 31 December 2021, primarily due to the recognition of unrealised fair value loss on the Group's investment in unlisted equity securities during the Year.

Trade receivables

Trade receivables represent outstanding amounts due from customers for services that the Group has provided in the ordinary course of business. The Group's trade receivables decreased from approximately RMB84.2 million as at 31 December 2021 to approximately RMB76.7 million as at 31 December 2022, due to the significant decrease in the Group's sales as a result of the resurgence of the pandemic and the short term lock-down in various provinces of the PRC throughout the Year.

Trade payables

Trade payables mainly represent the balances due to suppliers for the procurement of goods and services used for the Group's service offerings, such as travel and lodging services, presentation materials, venue set-up, rental services and video production services. The Group's trade payables increased from approximately RMB27.4 million as at 31 December 2021 to approximately RMB34.0 million as at 31 December 2022 as the resurgence of the pandemic delayed the payment process of the Group.

Financial assets at FVTPL

The Group's financial assets at FVTPL mainly represent financial products that the Group purchased. As at 31 December 2022, the 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 31 December 2022 had an expected rate of return of 2.53% to 3.43% per annum depending on the returns of the derivatives.

As at 31 December 2022, the fair value of the Group's financial assets at FVTPL profit or loss was approximately RMB15.5 million, details of which are summarised below:

Issuer	Name of wealth management products	Fair value as at 31 December 2022 <i>RMB'000</i>	Size as compared to the Company's total assets as at 31 December 2022
China CITIC Bank	Riyingxiang Tiantianli 1-C (日盈象天天利1號C款)	8,000	2.5%
Everbright Wealth Management Co., Ltd.	CEB Cash A (光銀現金A)	4,000	1.3%
BOB Wealth Management Co., Ltd.	Jinghuayuanjian 2 (京華遠見固收2號)	3,000	0.9%
China Merchants Bank Co., Ltd.	Ririxin 80008 (日日鑫80008號)	450	0.1%

The Group invested in these financial products during the year ended 31 December 2022 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 behaviour 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 31 December 2022, the Group had net current assets of approximately RMB143.2 million, as compared with net current assets of approximately RMB218.0 million as at 31 December 2021.

Bank Balances and Cash

The Group's bank balances and cash mainly consist of (i) bank deposits denominated in Renminbi and Hong Kong Dollar and carried the relevant benchmark interest rates throughout the Reporting Period; and (ii) cash on hand.

As at 31 December 2022, the Group had bank balances and cash of approximately RMB138.6 million, representing a decrease of approximately 16.2% from approximately RMB165.3 million as at 31 December 2021. 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

As at 31 December 2022, the Group, as a lessee, had outstanding current and non-current lease liabilities of approximately RMB17.4 million as compared with approximately RMB25.2 million as at 31 December 2021. The lease liabilities represent payment for the right to use underlying assets, which is unsecured and unguaranteed.

As at 31 December 2022, the Group had outstanding bank borrowings of approximately RMB9.1 million (31 December 2021: nil), which was unsecured, guaranteed 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 31 December 2022, the Group had available unutilised banking facilities of approximately RMB22.9 million (31 December 2021: nil).

The Group's gearing ratio (calculated as total bank and other borrowings divided by total equity) as at 31 December 2022 was 4.5% (31 December 2021: nil).

Capital Expenditures

As at 31 December 2022, capital expenditures of the Group decreased to approximately RMB4.3 million for the year ended 31 December 2022 as compared with approximately RMB25.0 million for the year ended 31 December 2021. These capital expenditures were related to (i) purchases of property, plant and equipment; and (ii) expenses for research and development activities capitalised as intangible assets. The Group is expected to incur expenses to develop computer and mobile software and platforms for its digital marketing and sales solutions services which may be capitalised. These expenses will be financed by the net proceeds 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 were successfully listed on the Main Board of the Stock Exchange on 19 January 2021. There has been no change in the capital structure of the Group since then.

As at 31 December 2022, the total number of issued Shares was 200,000,000.

Foreign Exchange Risk

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

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

Contingent Liabilities

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

Pledge of Assets

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

Human Resources

As at 31 December 2022, the Group had 427 employees (31 December 2021: 408 employees) as a result of the increase in headcount in relation to the expansion plan of the Group. For the year ended 31 December 2022, the staff cost recognised as expenses of the Group amounted to approximately RMB94.6 million, representing an increase of approximately 16.5% from approximately RMB81.2 million for the year ended 31 December 2021. The increase was mainly attributable to the increase in proportion of employees with higher income, increase in headcounts and increase in salaries to retain the talents.

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

Furthermore, the Company has conditionally adopted 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

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

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 Year.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to utilise the net proceeds according to the plans set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. Save as disclosed in the Prospectus, the Group had no other future plans for material investments or capital assets as at 31 December 2022.

EVENTS AFTER THE REPORTING PERIOD

After the year ended 31 December 2022 and up to the date of this announcement, no significant events have occurred which have material impact on the performance and the value of the Group.

FINANCIAL ASSISTANCE AND GUARANTEES TO AFFILIATED COMPANIES

The Group had not provided any financial assistance and 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.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to achieving high standards of corporate governance with a view to safeguarding the interests of its shareholders (the “**Shareholders**”) as a whole. Throughout the Year, the Company has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code (the “**Corporate Governance Code**”) as contained in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

Having made specific enquiry to all Directors, all Directors confirmed that they have complied with the Model Code throughout the Year.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend in respect of the year ended 31 December 2022.

ANNUAL GENERAL MEETING

It is proposed that an annual general meeting of the Company (the “**AGM**”) will be convened and held on Friday, 23 June 2023. A notice convening the AGM will be published and despatched to the Shareholders in the manner required by the articles of association of the Company and the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

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

Latest time to lodge transfer documents for registration 4:30 p.m. on
Friday, 16 June 2023

Closure of register of members Monday, 19 June 2023 to
Friday, 23 June 2023 (both days inclusive)

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

AUDIT COMMITTEE

As at the date of this announcement, the audit committee of the Company (the “**Audit Committee**”) comprised three independent non-executive Directors, namely Mr. Yang Xiaoxi (chairman), Mr. Fei John Xiang and Mr. Song Ruilin. The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022. The Audit Committee and the Company’s management have also reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to risk management, internal control and financial reporting.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2022 set out in this announcement have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.mediwelcome.com). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and made available for review on the same websites in due course.

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

Hong Kong, 30 March 2023

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