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Sinohealth Holdings Limited

中康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2361)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS			
	For the six months ended 30 June		Year-on-year change
	2024	2023	
	(Unaudited)	(Unaudited)	
	RMB'000	RMB'000	
Revenue	159,531	144,950	10.1%
Smart Decision Cloud	68,233	72,073	-5.3%
Smart Retail Cloud	56,437	43,834	28.8%
Smart Medical Cloud	17,967	23,314	-22.9%
Smart Health Management Cloud	16,894	5,729	194.9%
Cost of sales	70,743	69,768	1.4%
Gross profit	88,788	75,182	18.1%
Operating profit *	20,035	12,362	62.1%
Net profit (excluding exchange gains and losses)	40,057	32,525	23.2%
Net profit margin (excluding exchange gains and losses)	25.1%	22.4%	2.7%
Net profit	42,348	46,970	-9.8%

* "Operating profit" is defined as gross profit less (i) selling and distribution expenses, (ii) administrative expenses, (iii) research and development costs, and (iv) impairment losses on financial assets, net.

The board (the "Board") of directors (the "Directors") of Sinohealth Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results (the "Interim Results") of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2024 (the "Reporting Period"). The Interim Results have been reviewed by the audit committee of the Company (the "Audit Committee").

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Relying on industry-leading data assets, AI algorithm models, rich industry experience and professional insight, the Group has continuously enriched the types of products and services with the help of technological innovation and the ability to transform scientific and technological achievements, providing customers with one-stop products and services of “SaaS+ professional service + industry ecological platform”. The Group has efficiently empowered customers in terms of digital transformation, market expansion, client management and decision making, enabling them to enhance efficient operational decision making and targeted market connection as two core capabilities to improve their operating efficiency and achieve performance growth.

During the Reporting Period, the Group’s revenue scale and operating efficiency improved further, benefiting from the continuous development of industrial cooperation networks and the continuous innovation of products and services, the number of customers of and price of Smart Retail Cloud and SaaS products have risen simultaneously. The operating income was approximately RMB159.5 million, representing a year-on-year increase of approximately 10.1%; The leading big data processing technology and the continuous consolidation of the data platform construction have greatly improved the technical efficiency, thus promoting the continuous optimization of the Group’s cost efficiency and breeding a higher-quality group profit model, the operating profit increased approximately 62.1% year-on-year. Excluding the impact of exchange gains and losses, the net profit was approximately RMB40.1 million, representing a year-on-year increase of approximately 23.2%, and the net profit margin (excluding exchange gains and losses) increased 2.7 percentage points compared with the corresponding period of 2023. Our customer range has covered major players in the health industry such as pharmaceutical and medical device manufacturers, pharmaceutical and medical device retailers, physical examination institutions, medical institutions, and innovative pharmaceutical enterprises. We had 869 corporate customers, increased by 3.2% from 842 corporate customers in the corresponding period of 2023, among them, the repurchase sales rate of leading pharmaceutical and medical device corporate customers was 99.7%, increased by 5 percentage points as compared with the corresponding period of 2023.

Smart Decision Cloud

Smart Decision Cloud products are mainly designated for medical product suppliers, connecting the main scenarios of research and development, production, distribution, marketing and end-user retailing of medical device products with industry data as the core, providing pharmaceutical and medical equipment enterprises with an integrated smart decision cloud solution that enables customers to establish efficient decision-making capability and improve decision-making efficiency. It has maintained a leading position in terms of market size and recorded sustainable growth.

As at 30 June 2024, our revenue from Smart Decision Cloud was approximately RMB68.2 million, with 412 corporate customers purchasing the Group's Smart Decision Cloud services. The overall repurchase sales rate for corporate customers increased approximately 0.8 percentage points year-on-year as customers' willingness to repurchase continued to increase. Among them, CHIS, one of our main SaaS products, achieved good market performance, with approximately 36% year-on-year increase in the number of corporate customers and approximately 9% year-on-year increase in the unit price of customers.

We built the Sinohealth digital decision service and product system of "3 big data × 3 big services + digital insight SaaS system", and collected 3 big data types: 1) medical consumption market data including retail, county, new retail, DTP and other scenarios; 2) consumer portrait data, including consumer drug purchasing behavior database and consumer drug purchasing mind database; and 3) retail terminal data, including drug sales potential data and pharmacy characteristics big data. Through intelligent modeling, we conducted interactive and multi-angle analysis of the 3 types of big data and provided customers with three categories of insight consulting services: 1) drug market insight service; 2) consumer research insight service; and 3) terminal accurate strategy information service, to empower multiple scenarios, covering "people", "goods" and "venue". Meanwhile, we provided our customers with an integrated SaaS system for decision making driven by data insight, and helped them intelligently and visually manage market data, conduct governance analysis on internal data and interact with market data, and support the decision-making of production and marketing, market layout and drug research and development with data insight results.

Our platform events, like CPEO, CPIE, the Healthcare Industry Capital Summit and the Traditional Chinese Medicine Ecological Conference, gathered health industry key elites, and carried out multi-level and multidimensional data release covering topics from the prediction and analysis of the development trend of health production ecology, to the exploration of paths in various branches, which provided customers with forward-looking, systematic exchange of ideas and information, strategic integration and precise interaction of diverse resources, so as to further improve the interconnection efficiency between industries and promote resources optimal allocation. Up to the date of this announcement, CPEO has been successfully held for 17 sessions and has developed into a forward-looking industry conference with leading specifications, scale and influence in the Chinese health industry. More than 8,000 decision-making elites from government agencies, domestic and foreign mainstream brand industries, innovative drug enterprises and innovative drug technology companies, mainstream pharmaceutical businesses, retail enterprises, domestic and foreign capital institutions, digital technology companies, commercial insurance institutions, medical and health service institutions as representatives attended the meeting, with the total number of participants exceeding 60,000.

Smart Retail Cloud

After iterative upgrading, we integrated digital functions such as member management, category management, intelligent marketing, chronic disease management, and pharmaceutical services with SIC as the core system, to help pharmacies achieve functional upgrading, create a “patient-centered” personal health management portal, and improve the membership loyalty and consumption willingness of our cooperative pharmacies. As at 30 June 2024, the Group has established cooperation with more than 2,900 pharmaceutical retail enterprises and more than 160,000 pharmacy stores, maintaining a leading position in the market. Our digital cooperation with pharmacies also facilitated instant communication and feedback processes for drug retail data, empowering the Group’s overall business. Leveraging on the unique advantages of SIC, the Group has established a “one-stop” data centralized analysis capability, data-driven marketing solution capability and digital precision marketing capability under the pharmacy consumption scenario, aiming to attract more pharmaceutical and medical equipment enterprises and pharmaceutical retail enterprises to join our business expansion plan.

As of 30 June 2024, 519 corporate customers purchased our Smart Retail Cloud service, representing an increase of approximately 17.2% compared with the corresponding period of 2023, including 19 new corporate customers. The overall repurchase sales rate for corporate customers was approximately 78.8%. During the Reporting Period, our revenue from Smart Retail Cloud services increased approximately 28.8% to approximately RMB56.4 million from approximately RMB43.8 million for the corresponding period of 2023. The repurchase unit price for corporate customers increased approximately 22.5% year-on-year.

We utilized big data to deeply analyse pharmacy stores and patients’ demands, preference and behavior, provided customers with a wide range of products portfolio and professional services including data-driven marketing solutions, digital precision marketing plans and professional training, and strengthened the in-depth interaction between medical product suppliers and pharmacies, and between pharmacies and patients, so that our customers could effectively and accurately access to the target groups, and help patients improve their awareness and trust in pharmaceutical products, accurately improving the treatment effect and the healthy living standard and quality of life of patients; we helped customers quantitatively evaluate the input-output ratio of marketing programs through data insights, thereby optimizing the sales expense structure, improving the refined management level of sales costs, and enhancing customers’ market share and marketing profitability.

Meanwhile, through industry ecological platform, we also held PHCF, MASC and other industry events, and strived to promote the commodity trading and high-quality development of the health industry through panoramic data analysis, policy trends interpretation, health consumption new trends interpretation and product display, etc.

Smart Health Management Cloud

We provide physical examination users and chronic disease patients with Woodpecker AI-MDT health management platform and supporting health management services through medical institutions and health management institutions. The Woodpecker AI-MDT system gathers the consensus of more than 300 experts from Tertiary Hospitals across 16 disciplines, which on the basis of professional medical guidance, constructs the medical knowledge graph covering 31 disease types, 1,770 diseases and 801 individual indicators. Through AI technology and 10 major disease risk assessment models, the Woodpecker AI-MDT system makes a comprehensive analysis of physical examination data and provides users with personalized health management solutions including medical treatment, physical examination, diet and exercise. Unlike traditional physical examination reports, AI-MDT is committed to providing physical examination users with more systematic, more detailed and more comprehensive expert consultation physical examination reports. We established a relatively comprehensive health management system in the post-examination stage focusing on the needs of patients, equipped with health management and single-type chronic disease digital therapy modules and SCRM member management functions, which can meet the health management requirements of patients for the whole process after examination through early warning and monitoring, chronic disease management, drug purchasing, re-examination and continuous evaluation, and meanwhile help physical examination centers build a digital health management service system to improve health management service capacity and income-increasing capacity.

Benefiting from its mature technology and differentiated advantages, AI-MDT has been unanimously recognised by cooperative customers and physical examination users. At present, this business has begun to take shape and has reached approximately 160 hospitals and 650 private physical examination centers. As at 30 June 2024, over 4.345 million users obtained physical examination interpretations, representing an increase of approximately 4.04 million as compared with the corresponding period of 2023, and the maximum daily processing volume of the AI-MDT system for the interpretation of physical examination reports exceeded 40,000 cases, representing an increase of approximately 448% as compared with the corresponding period of 2023.

In terms of severe illness, we are closely connected with tumor experts and doctors at different levels of hospitals based on the intelligent iMDT platform and professional operation capability, providing tumor patients with more authoritative diagnosis and treatment service plans and health management plans that promote patients to receive more matching drugs, treatments and health management services.

As at 30 June 2024, the number of registered oncologists on the iMDT platform has accumulated more than 13,000, more than 500 MDT diagnosis and treatment meetings have been organized, and the number of connected doctors has exceeded 120,000. The tumor types currently cover colorectal cancer, lung cancer, stomach cancer, liver cancer, brain glioma, colorectal cancer and breast cancer. The Group further expands the types and improve the quality of data through case collection and data analysis to better serve medical institutions, doctors and pharmaceutical companies in the application of tumor drugs, doctor-patient education and drug research and development.

Smart Medical Cloud

Smart Medical Cloud business segment is committed to connecting major participants of medical value chain, co-building the closed ecology, providing medical device enterprises, medical institutions and other participants in medical industry with patient management comprehensive solution and research efficiency improvement plan. Benefiting from technological upgrading and market development, our Smart Medical Cloud achieved an operating revenue of approximately RMB18.0 million during the Reporting Period. The repurchase sales rate of corporate customers reached 100.0%, representing a year-on-year increase of approximately 13.5 percentage points, as customer repurchase intentions continued to increase.

The Smart Medical Cloud business segment focuses on medical scenarios, with major businesses including patient management service and research SaaS platform etc. The Group integrates six main functions, namely medical services, pharmaceutical services, psychological support, remote intelligent testing, financial assistance and home care, works with medical device enterprises and medical institutions to provide more digital therapies in the whole medical management process combining with service solutions for patients in private domain, and creatively provides full process patient care service model that effectively increases the continuity, convenience and professionalism of patients in medical treatment process, and meanwhile helps medical device enterprises and medical institutions improve the patient management process, which has been highly recognised by customers. The research SaaS platform covers the full process of scientific research, from topic choice, literature search to paper draft, which is on the basis of deep learning and multi-modal large language models, and increases the scientific research efficiency of doctors.

Three Core Competences

As a pioneer in the digitalisation of the healthcare industry, the Group possesses cutting-edge innovative technologies and profound data insights. Leveraging on its industry-leading industrial cooperation network, technical capabilities and industrial insight ability, the Group continues to improve its product quality and professional service capabilities, as well as increase its market share, enhance the cooperation with its key customers and expand its product portfolio and business scale, so as to contribute to the long-term sustainable development of the healthcare industry. We have established three core competences in terms of extensive industrial cooperation network, leading big data processing technology and ecological industrial platform.

- 1) Industrial cooperation network. We focus on scenarios such as pharmaceutical retail, physical examination, clinical diagnosis and treatment, and have established a broad and solid industrial cooperative network by comprehensive digital networks covering “doctor, medicine, patient”. As at 30 June 2024, our pharmaceutical retail cooperation network has covered more than 160,000 pharmacy stores spanning 349 cities and 30 provinces, among which the number of cooperative pharmacy stores using SIC system has exceeded 110,000. There are about 160 hospitals and 650 examination centers that have joined in our health management and cooperative network. We have cooperated with more than 300 hospitals through patient management services, serving more than 250,000 patients. The number of registered users of oncologists on the iMDT platform has accumulated more than 13,000. It has continued to operate six tumor specific MDT doctor alliances: China Colorectal Cancer MDT Alliance; Southern Brain Glioma MDT Alliance; Eastern Gastrointestinal Cancer MDT Alliance; Mammary Gland MDT Cloud Academy; Liver Cancer MDT Specialized Organization; and Lung Cancer MDT Specialized Organization.

- 2) Big data processing technology. Our core platform for data processing has data processing and analysis capabilities, which allows us to discover correlations and patterns between raw data, cultivating insights and professional knowledge. Through data governance, analysis, interpretation and prediction, we provide industry participants with SaaS products and professional services. In terms of basic capabilities, we make technical constructions in two aspects: (i) we focus on big data processing and analysis, artificial intelligence and cloud computing. On this basis, we established Sinohealth's standardised and structured master database, including 38 master databases of the health industry covering pharmaceutical retail, industry supervision, medicine, pharmacy and life sciences, building a complete master data labeling system, forming a knowledge graph of mutual mapping between data, so as to create a unified set of medical health data structured standards. Under the construction of such basic capabilities, our data processing capacity has great improvements, machine automatic cleaning rate exceeds 97%, accuracy rate exceeds 99%, and the fastest response speed reaches T+1; (ii) for the two different lines of medicine and medical care, we have established the "Tiangong No. 1" commercial data smart middleware + "Woodpecker" smart health management and medical middleware. Empowered by the dual middlewares, our data mining capacity has been improved. With our professional knowledge, artificial intelligence models and data insight capabilities, we provide customers with standardised SaaS products, customised professional services and overall solutions for various operational scenarios.

- 3) Ecological industrial platform. We have established a leading portfolio of healthcare industry conferences/exhibition events and media services to build a valuable ecological chain for industry participants. This platform was also a key product marketing scenario for the Group's industrial customers, enabling the Group to conduct in-depth business negotiations with customers, which improved marketing efficiency and reduced marketing costs. CPEO that we held successfully for 17 sessions has become a forward-looking industry conference with leading position in China's healthcare industry in terms of specifications, scale and influence, providing forward-looking and systematic exchanges of ideas and information for the industry and realising the strategic integration, cooperation and interaction of diversified resources. In addition, our ecological industrial platform has reached nearly one million professionals including pharmaceutical retail experts, pharmaceutical and medical device manufacturers, pharmacists, physicians, medical experts, industry investors and others.

FUTURE OUTLOOK

According to the *Digital China Development Report (2023)*, the added value of the core industries in the digital economy was estimated to exceed RMB12 trillion in 2023, accounting for approximately 10% of the GDP. The revenue from emerging businesses such as cloud computing and big data has increased steadily, with an increase of 37.5% compared to last year. In recent years, a new round of information technologies represented by big data, cloud computing and artificial intelligence has developed rapidly, which has promoted the vigorous development of China's digital economy. In the context of the "Data Elements ×" Three-Year Action Plan actively promoted by China, the Group will fully leverage its core strengths such as data governance and application technology, abundant healthy big data and industrial resources, and accelerate the development of a "patient-centric" digital full life cycle health management system in the medical and healthcare field. In order to fully grasp the characteristics of the healthcare industry and the development trends of the data-driven economy, the Group will focus on the layout of three business segments, namely To B, To C and To R.

To B Business

The Group has had a clear lead in the To B business. In order to further expand the To B business, we will further promote the iterative innovation of products and services, open up "in-hospital + out-of-hospital" medical and pharmaceutical data, and help customers speed up the digital construction through high-quality SaaS products and professional services, build up the ability to make quick decisions, connect targeted markets and efficiently operate, in order to fully respond to industry competition and seize market opportunities.

In order to better serve medical product suppliers, the Group will: 1) continue to introduce more B2C data, O2O data and internal data to improve the type and scale of data, build a diversified and stable all-channel healthcare industry data base, ensure data quality, and improve data timeliness; 2) develop potential models and prediction models, fully tap the value of data, build a pharmaceutical all-channel research system including databases, knowledge bases, business models, data models, and policy information bases, and support the development of more products and services; 3) with "medicines, buyers, and pharmacies/hospitals" as three core, provide customers with in-depth insight and consultation through services such as medicine market insight, consumer research insight and terminal precision strategy research, and expand the market of leading customers; 4) create a standard product system of data visualisation SaaS tools to meet the common data monitoring requirements of customers in the process of marketing management and decision-making, help customers gain timely and rapid insight into market data trend changes, and improve decision-making efficiency. Through this action, the Group will achieve rapid customer expansion in the long-tail market and achieve rapid growth in the revenue scale of SaaS products; and 5) provide flow data governance tools and services, provide digital scenario design and implementation planning services through decision analysis models and combination of internal and external data resources, help customers improve internal human efficiency, promote change management and accurately explore growth opportunities.

Medical retail enterprises are now facing many changes and challenges such as digital transformation, service transformation and new business channel expansion. The Group will be committed to building a system + service + content integrated solution through SIC, and through in-depth industry understanding and the application of digitalisation, AI and other sci-tech capabilities, assist medical retail enterprises to better manage store staff, improve expertise and execution, improve per capita sales output, better operate members, improve member activity and repurchase sales rate, and precipitate the behaviour data of store staff and members, build an accurate portrait to help medical retail enterprises achieve more accurate decision-making, enhance customer trust and achieve a win-win situation with customers through professional services, and promote SIC to connect more medical retail enterprises so as to gain more market share. Through SIC complete digital foundation and service capabilities in the chain field, the Group will further build a digital platform connecting medical retailers and medical product suppliers, help medical product suppliers improve the marketing efficiency of the retail field, integrate more medical and health services, bring more resources and business opportunities to chain drugstores, and provide more effective medical and health solutions for individual customers.

Based on the above initiatives, we expect that customer demand for digitization can be satisfied to the largest extent, and a unified data application standard can be reached by the Group and healthcare industry players during their sustainable data business cooperation, which will promote the establishment of industry standards and advance the industry digital transformation and upgrading.

To C Business

On the basis of the To B business development, the Group is accelerating the deployment of customer-end (To C) health service business based on its deep insight into the medical and healthcare industry chain, resource integration and the increasing medical and healthcare needs of C-end customers. Based on individual resident's personal requirements and health conditions, the Group will build differentiated service capabilities and competitive advantages through big data, AI and cloud computing, provide the individual health service platform including health management and digital full course precision service, realise efficient health management and high-quality diagnosis and treatment management, and increase individual health level and diagnosis/treatment quality.

According to the public available statistics, the number of physical examinations in China has exceeded 500 million per year, and with the improvement of national health awareness, the number of physical examinations and the demand for health management will continue to grow, and the number of physical examinations in China will reach 870 million per year.

As one of the important starting points for the Group to expand the To C business, the AI-MDT system will continue to innovate and expand functions, and provide physical examination institutions and hospitals with digital overall solutions including intelligent general examination, health management services, health follow-up SCRM and digital healthcare, help physical examination centers improve the efficiency of general examination and member management, create a digital full life cycle health management service system for individual users, and finally provide individual users with a variety of services such as AI-MDT in-depth physical examination report services, health follow-up services for sub-healthy populations, single-disease health management services and personalised physical examination services, so as to meet the diversified post-examination health management needs of individual users. The Group will continue to rapidly expand the To C business through the two main channels including physical examination institutions and hospitals, so that a wider range of people can access AI-MDT and the corresponding health management services, thereby improving the individual health.

At the same time, the Group will also build a digital platform for the whole course management service for individual patients, help seriously ill patients precisely match with multi-disciplinary expert team, formulate high-quality comprehensive diagnosis and treatment plans, connect with the most suitable medical resources, carry out the whole course management for patients, and comprehensively improve the treatment effect.

To R Business

We will give full play to the accumulated leading edge of the To B business, and based on our deep insight into the customer market and marketing field of B-end enterprises, we will gradually explore innovative products, establish our presence in R&D field, focus on creating digital empowerment platform for biomedical R&D (To R), work with major players such as medical institutions, innovative drug enterprises, CRO companies, CMO companies, pharmaceutical retail enterprises to establish an industrial cooperation ecology, provide integrated solutions for in-hospital preparations translation, innovative drug and medical devices R&D, foreign products introduction through digital innovation services, and drive the investment, introduction, R&D and promotion of medicine innovation. Currently, we have entered into relevant cooperation agreements with several partners. For example, in April 2024, we formally signed a strategic cooperation agreement with Lecheng Pilot Zone, pursuant to which the parties would jointly promote the construction of an ecological platform for the medical and healthcare industry, the transformation of innovative drugs and real-world study, and promote the high-quality development of the healthcare industry.

In next stage, we will continue to expand our business layout, enhance our data scale and explore more commercial models. We will integrate existing resources and help innovative pharmaceutical and medical device companies to effectively connect patients, doctors and experts in the aspects of program design, intelligent systems and operational services. Based on the network of hospitals and experts accumulated in the big data platform and the patient management services, and focusing on the full life-cycle of pharmaceutical and medical devices from clinical development to post-launch marketing, we provide enterprises with scientific research collaboration, artificial intelligence and medical inter-disciplinary research and collaborative innovation, and AI technology-based clinical data processing, thereby rapidly achieving the best commercialisation solutions.

In the long-term development of healthcare industry and digital element industry, the Group will continue to explore and practise in the field of healthcare industry services, improve product quality and professional service capabilities, to 1) provide digital applications and solutions for enterprises; 2) provide personalised high quality health services for individual users; and 3) provide digital empowerment for the innovations in life science field, build industry benchmark and leading capabilities, stimulate new quality productivity and actively drive the high-quality development of the medical and healthcare industry.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 10.1% from approximately RMB145.0 million as of 30 June 2023 to RMB159.5 million as of 30 June 2024, which was mainly due to the increase in revenue from the Smart Retail Cloud and the business of SaaS products.

Cost of Sales

The Group's cost of sales primarily consisted of (i) costs related to the daily operation and maintenance of our solutions and products and our employee benefits; (ii) costs associated with our marketing campaigns and provision of services to our clients; and (iii) event costs mainly relating to venue and equipment rentals, event planning and organisation services fees, accommodation and catering costs. The Group's cost of sales increased by approximately 1.4% from approximately RMB69.8 million as of 30 June 2023 to approximately RMB70.7 million as of 30 June 2024, which was mainly due to the increase in cost of sales driven by the increase in revenue from the Group's main business.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by approximately 18.1% from approximately RMB75.2 million as of 30 June 2023 to approximately RMB88.8 million as of 30 June 2024. The Group's gross profit margin increased from approximately 51.9% as of 30 June 2023 to approximately 55.7% as of 30 June 2024.

Other Income and Gains

Other income and gains primarily consisted of (i) bank interest income; (ii) government grants; and (iii) foreign exchange gains. The Group recorded other income and gains of approximately RMB23.5 million as of 30 June 2024, representing a decrease of approximately 34.5% as compared to approximately RMB35.8 million as of 30 June 2023, which was mainly due to the decrease in foreign exchange gains.

Selling and Distribution Expenses

Selling and distribution expenses mainly consisted of (i) employee benefit expenses for employees responsible for sales and marketing functions; (ii) travel and transportation expenses related to offline marketing campaigns, the development and maintenance of customer relationship and production of advertising materials; and (iii) general office expenses. As of 30 June 2024, the Group's selling and distribution expenses amounted to approximately RMB17.2 million, representing an increase of approximately 13.7% as compared to approximately RMB15.1 million as of 30 June 2023, which was mainly due to the increase in the number of employees and their benefits expenses.

Administrative Expenses

The Group's administrative expenses primarily consisted of (i) employee benefits expenses; and (ii) professional fees. The Group's administrative expenses increased by approximately 12.2% from approximately RMB15.1 million as of 30 June 2023 to approximately RMB17.0 million as of 30 June 2024, which was mainly attributable to the Company's employee benefits expenses for the first half of 2024.

Research and Development Costs

The Group's research and development costs primarily consisted of (i) employee benefits expenses; (ii) depreciation of right-of-use assets; and (iii) technology services fees and general office expenses. The Group's research and development costs increased by approximately 6.1% from approximately RMB27.2 million as of 30 June 2023 to approximately RMB28.9 million as of 30 June 2024, primarily due to the increase in employee benefits expenses.

Profit before Tax

The Group's profit before tax decreased by approximately 11.2% from approximately RMB47.9 million as of 30 June 2023 to approximately RMB42.5 million as of 30 June 2024, mainly due to the decrease in the Group's foreign exchange gains.

Income Tax Expense

The Group's income tax expense decreased by approximately 78.7% from approximately RMB0.9 million as of 30 June 2023 to approximately RMB0.2 million as of 30 June 2024, mainly because the subsidiaries offset tax losses generating from prior years during the period.

Profit for the Period

As a result of the foregoing, the Group's profit for the period decreased by approximately 9.8% from approximately RMB47.0 million as of 30 June 2023 to approximately RMB42.3 million as of 30 June 2024. The operating profit recorded a year-on-year increase of approximately 62.1%. The Group's net profit (excluding foreign exchange gain or loss) increased by approximately 23.2% from approximately RMB32.5 million as of 30 June 2023 to approximately RMB40.1 million as of 30 June 2024, and the net profit margin (excluding foreign exchange gain or loss) increased by 2.7 percentage points year-on-year from 22.4% as of 30 June 2023 to 25.1% as of 30 June 2024.

	As of 30 June 2024 RMB'000	As of 30 June 2023 RMB'000
Operating profit	20,035	12,362
Net profit (excluding foreign exchange gain or loss)	40,057	32,525
Net profit margin (excluding foreign exchange gain or loss)	25.1%	22.4%

Liquidity and Capital Resources

As of 30 June 2024, the Group financed its operations mainly through cash generated from the Group's operating activities and the net proceeds from the Global Offering. The Group intends to continuously finance its expansion and business operations using a combination of cash generated from operating activities and the net proceeds from the Global Offering.

Cash and Cash Equivalents

The Group maintains a strong cash position. As of 30 June 2024, the Group's total cash and cash equivalents amounted to approximately RMB23.8 million. The Group further invests in domestic and overseas time deposits and financial assets at fair value through profit or loss.

Borrowings

As of 30 June 2024, the Group did not have any short-term or long-term bank borrowings and had no outstanding bank and other borrowings and other indebtedness apart from lease liabilities for the relevant lease terms amounting to approximately RMB13.9 million in aggregate.

Gearing Ratio

The gearing ratio, which is calculated by dividing total liabilities by total equity, was 19.1% as at 30 June 2024 (31 December 2023: approximately 13.9%).

Foreign Currency Risk

The Group has transactional currency exposures and are subject to foreign currency risk arising from fluctuations in exchange rates between RMB and US\$. As at 30 June 2024, the Group had transactional currency exposures. Such exposures arose from its cash and cash equivalents in US\$. The Group is currently not engaged in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange activities and make its best efforts to protect the cash value of the Group.

Charge on Assets

As at 30 June 2024, the Group did not pledge any of its assets.

Cash Flow and Capital Expenditure

As at 30 June 2024, the Group's capital expenditures mainly incurred for the acquisition of equipment and software and leasehold improvements was approximately RMB0.5 million, representing a decrease of approximately 71.6% as compared to as of 30 June 2023. The Group intends to fund future capital expenditures from the existing cash balance, cash generated from operating activities and proceeds from the Global Offering. The Group will continue to incur capital expenditures to meet the expected business growth, and may reallocate funds for capital expenditures and long-term investments based on the Group's ongoing business needs.

Contingent Liabilities and Guarantees

As at 30 June 2024, the Group did not have any significant contingent liabilities, guarantees or any material litigation against the Group.

Significant Acquisitions or Disposals and Future Plans for Significant Investments

The Group did not have any significant acquisitions or disposals of subsidiaries, associates and joint ventures as at 30 June 2024.

As at 30 June 2024, none of each individual investment held by the Group constituted 5% or more of the total assets of the Group, and there is no future plan for any material investment or capital assets.

Employees and Staff Costs

As at 30 June 2024, the Group had a total of 778 (30 June 2023: 698) full time employees. During the Reporting Period, the Group recognised staff costs of approximately RMB75.4 million, representing an increase of approximately 13.2% as compared to as at 30 June 2023.

The following table sets forth the number of employees by function as at 30 June 2024.

Function	Number	Percentage to the total number of employees
Solutions and Products	346	44%
Research and Development	214	28%
Sales and Marketing	143	18%
General and Administrative	75	10%
Total	<u>778</u>	<u>100%</u>

Employees are the valuable assets and the foundation for sustainable development of the Group. The Group highly appreciates the career development of its employees, and we have developed a comprehensive vocational training system and a sound remuneration and promotion system to continuously train, attract and retain talents.

Leveraging on our influence and expertise in the industry, we are able to continue to attract outstanding versatile talents. As at 30 June 2024, approximately 39% of our employees with medical expertise and experience and approximately 17% with artificial intelligence and technology experience and expertise.

In addition, the Company has adopted the Share Option Scheme and the Share Award Scheme to motivate talented employees and attract talented persons for the further development of the Group.

Subsequent Events

No significant events that require additional disclosure or adjustments occurred after the end of the Reporting Period and up to the date of this announcement.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
REVENUE	5	159,531	144,950
Cost of sales		(70,743)	(69,768)
Gross profit		88,788	75,182
Other income and gains	5	23,454	35,816
Selling and distribution expenses		(17,184)	(15,109)
Administrative expenses		(16,963)	(15,121)
Research and development costs		(28,881)	(27,229)
Impairment losses on financial assets, net		(5,725)	(5,361)
Other expenses		(616)	(8)
Finance costs		(329)	(278)
PROFIT BEFORE TAX	6	42,544	47,892
Income tax expense	7	(196)	(922)
PROFIT FOR THE PERIOD		42,348	46,970
Attributable to:			
Owners of the parent		41,675	47,833
Non-controlling interests		673	(863)
		42,348	46,970
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		42,348	46,970
Attributable to:			
Owners of the parent		41,675	47,833
Non-controlling interests		673	(863)
		42,348	46,970
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	0.10	0.11

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2024

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,981	5,070
Right-of-use assets		12,990	13,490
Other intangible assets		1,682	1,085
Time deposits		157,708	165,377
Goodwill		11,551	–
Deferred tax assets		3,511	3,455
		<hr/>	<hr/>
Total non-current assets		191,423	188,477
CURRENT ASSETS			
Inventories		6,512	1,561
Trade and notes receivables	<i>10</i>	97,830	90,043
Prepayments, other receivables and other assets		15,459	49,656
Financial assets at fair value through profit or loss		88,460	–
Due from a related party		124	45
Time deposits		388,650	344,028
Cash and cash equivalents		23,764	123,931
		<hr/>	<hr/>
Total current assets		620,799	609,264
CURRENT LIABILITIES			
Trade payables	<i>11</i>	12,835	13,109
Other payables and accruals		99,024	63,540
Lease liabilities		4,862	4,211
Due to related parties		130	432
Tax payable		1,171	2,969
		<hr/>	<hr/>
Total current liabilities		118,022	84,261
		<hr/>	<hr/>
NET CURRENT ASSETS		502,777	525,003
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		694,200	713,480
		<hr/>	<hr/>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
30 June 2024

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Note</i>	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		694,200	713,480
NON-CURRENT LIABILITIES			
Lease liabilities		9,039	10,026
Deferred tax liabilities		3,030	3,000
Total non-current liabilities		12,069	13,026
Net assets		682,131	700,454
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>12</i>	30,384	30,384
Treasury shares	<i>12</i>	(209,344)	(179,098)
Reserves		862,963	852,054
		684,003	703,340
Non-controlling interests		(1,872)	(2,886)
Total equity		682,131	700,454

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 4 March 2019. The registered address of the Company is at the office of Ogier Global (Cayman) Limited, of 89 Nexus Way, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company. During the reporting period, the Company's subsidiaries were principally engaged in the provision of Data Insight Solutions, Data-driven Publications and Events and SaaS products.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 12 July 2022.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the "2020 Amendments")</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> <i>(the "2022 Amendments")</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.
- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is not organised into business units based on their services and only has one reportable operating segment. Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
<i>Revenue from contracts with customers</i>	159,531	144,950

Revenue from contracts with customers

(a) *Disaggregated revenue information*

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Type of goods or services by product categories		
Data Insight Solutions	84,012	88,692
Data-driven Publications and Events	38,812	32,107
SaaS products	36,707	24,151
Total	159,531	144,950
Type of goods or services by application scenarios		
Smart Decision Cloud	68,233	72,073
Smart Retail Cloud	56,437	43,834
Smart Medical Cloud	17,967	23,314
Smart Health Management Cloud	16,894	5,729
Total	159,531	144,950
Geographical markets		
Chinese Mainland	159,003	144,782
Overseas	528	168
Total	159,531	144,950
Timing of revenue recognition		
Services transferred at a point in time	79,935	78,426
Services transferred over time	79,596	66,524
Total	159,531	144,950

(b) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Data Insight Solutions

The performance obligation for delivery of customised research reports is generally satisfied at the point of time when the individual research report is delivered and accepted by the customers and payment is generally due within 120 days from the date of billing. The performance obligation for provision of individual marketing solution is satisfied over time as services are rendered and payment in advance is normally required.

Data-driven Publications and Events

The performance obligation is satisfied over time as services are rendered, where payment in advance is normally required. The services related to Data-driven Publications and Events are generally completed within one week.

SaaS products

The performance obligation for granting right to access the proprietary cloud-based software is satisfied over time as services are rendered, where payment in advance is normally required. The performance obligation for API use is satisfied at the point of time when the right to use is granted and payment is generally due immediately. The performance obligation for application software development is satisfied at the point of time when the application software together with relevant license is accepted by the customers, and payment is generally due when the service was completed.

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Other income		
Bank interest income	13,450	12,521
Government grants*	7,578	8,206
Investment income from financial assets at fair value through profit or loss	119	20
Others	5	227
Total other income	21,152	20,974
Gains		
Fair value gains on financial assets at fair value through profit or loss	–	209
Foreign exchange gains, net	2,291	14,445
Gains on lease modifications	11	14
Others	–	174
Total gains	2,302	14,842
Total other income and gains	23,454	35,816

* The government grants mainly represent incentives awarded by the local governments to support the Group's operation. There were no unfulfilled conditions or contingencies attached to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Cost of services provided	70,743	69,768
Depreciation of property, plant and equipment	1,277	1,242
Depreciation of right-of-use assets	2,326	2,890
Amortisation of other intangible assets	364	430
Research and development costs	28,881	27,229
Lease payments not included in the measurement of lease liabilities	66	50
Bank interest income	(13,450)	(12,521)
Government grants	(7,578)	(8,206)
Investment income from financial assets at fair value through profit or loss	(119)	(20)
Fair value losses/(gains) on financial assets at fair value through profit	575	(209)
Gains on lease modifications	(11)	(14)
Foreign exchange gains, net	(2,291)	(14,445)
Loss on disposal of items of property, plant and equipment	9	1
Impairment of trade receivables, net	5,725	5,361

7. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company and its subsidiary are not subject to any income tax in the Cayman Islands and the BVI.

The statutory tax rate for the subsidiary in Hong Kong is 16.5%. No Hong Kong profits tax on the subsidiary has been provided as there was no assessable profit arising in Hong Kong during the period.

The provision for current income tax in Chinese Mainland is based on a statutory tax rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law.

Guangzhou Zhongkang Digital Technology Co., Ltd. (“**Guangzhou Zhongkang Digital**”) was accredited as a high and new technology enterprise (“**HNTE**”) in 2022, and the certifications were valid for three years. For the six months ended 30 June 2024, Guangzhou Zhongkang Digital was entitled to a preferential PRC Corporate Income tax rate of 15% (30 June 2023: 15%).

Certain of the subsidiaries, which operate in Chinese Mainland, are identified as Small and Micro Enterprises and were entitled to a preferential tax rate of 5% during the period.

The major components of the income tax expense of the Group during the period are analysed as follows:

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current - Chinese Mainland charge for the period	254	3,403
Deferred tax	(58)	(2,481)
Total tax charge for the period	196	922

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction dates and net of loss allowance, is as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 6 months	77,824	67,147
6 to 12 months	9,653	11,653
1 to 2 years	7,868	8,268
2 to 3 years	630	753
	<hr/>	<hr/>
Total	95,975	87,821
	<hr/> <hr/>	<hr/> <hr/>

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
At beginning of period/year	23,530	6,322
Impairment losses, net	5,725	17,607
Amount written off as uncollectible	–	(399)
	<hr/>	<hr/>
At end of period/year	29,255	23,530
	<hr/> <hr/>	<hr/> <hr/>

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Within 3 months	7,877	11,128
4 to 6 months	3,755	366
7 to 12 months	321	1,326
Over 12 months	882	289
	<hr/>	<hr/>
Total	12,835	13,109
	<hr/> <hr/>	<hr/> <hr/>

Trade payables are non-interest-bearing and are normally settled within 90 days.

12. SHARE CAPITAL AND TREASURY SHARES

	30 June 2024 (Unaudited) RMB'000	31 December 2023 (Audited) RMB'000
Authorised:		
2,000,000,000 (2023: 2,000,000,000) ordinary shares of US\$0.01 each US\$'000	20,000	20,000
Issued and fully paid:		
451,770,000 (2023: 451,770,000) ordinary shares of US\$0.01 each US\$'000	4,518	4,518
RMB'000	30,384	30,384

A summary of movements in the Company's share capital is as follows:

	<i>Notes</i>	Number of shares in issue	Share capital RMB'000	Treasury shares RMB'000
At 1 January 2023		451,770,000	30,384	(101,121)
Shares repurchased	(a)	—	—	(77,977)
At 31 December 2023 and 1 January 2024		451,770,000	30,384	(179,098)
Shares repurchased	(b)	—	—	(30,246)
At 30 June 2024		451,770,000	30,384	(209,344)

Notes:

- (a) In 2023, the Company purchased 16,228,000 of its shares on the Stock Exchange at a total consideration of approximately HK\$86,459,000 (equivalent to approximately RMB77,977,000) for a share award scheme.
- (b) In 2024, the Company purchased 5,878,500 of its shares on the Stock Exchange at a total consideration of approximately HK\$33,398,000 (equivalent to approximately RMB30,246,000) for a share award scheme.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining good corporate governance standards and believes that they are essential for the Company to safeguard shareholders' interests and enhance corporate value. The Company has adopted the principles and provisions of the CG Code as set out in Part 2 of Appendix C1 to the Listing Rules. To the best knowledge of the Directors, save and except for code provision C.2.1 of CG Code as set out below, the Company has complied with all the applicable code provisions set out in the CG Code during the Reporting Period.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have a separate chairman and chief executive officer and Mr. Wu Yushu currently performs these two roles concurrently. Mr. Wu is responsible for the overall strategic planning and overall management and daily operations of the Group. Mr. Wu has over 20 years of experience in the healthcare information and data analysis industries and has been instrumental to the growth and business expansion of the Company since the Group was founded in 2007. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same person ensures consistency in the management and strategic layout of the Group. The Board and the senior management are composed of experienced individuals who ensure a balance of power and authority in their operations and the current structure will enable the Company to make and implement decisions more promptly and effectively.

The Company will review its corporate governance practices from time to time and strive to enhance its alignment with business operations and developments to ensure compliance with statutory and latest business developments.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions, and the Model Code has been applicable to the Company with effect from the Listing Date.

The Company's relevant employees, who because of his/her office or employment, are likely to be in possession of inside information of the Company, are also subject to the Model Code. Having made specific enquiries of all the Directors and the relevant employees, they have confirmed that they have complied with the Model Code during the Reporting Period.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

The changes in information of Directors and chief executives during the Reporting Period are set out below:

Ms. Wang Danzhou was appointed as the independent Director of Guangdong Tecsun Science & Technology Co., Ltd. (廣東德生科技股份有限公司) (stock code: 002908) on 24 May 2024 and Shenzhen Hobbywing Co., Ltd. (深圳市好盈科技股份有限公司) on 14 June 2024, respectively.

Mr. Wei Bin has resigned from his position as the independent non-executive Director of Honghua Group Limited (stock code: 196) on 28 June 2024.

Save as disclosed above, since the date of the 2023 annual report of the Company and up to the date of this announcement, there has been no change to the biographical details of Directors and the senior management which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sales of treasury shares) as of 30 June 2024. No treasury shares (as defined under the Listing Rules) were held by the Company as of 30 June 2024.

INTERIM DIVIDEND

The Board resolved not to declare the payment of any interim dividend for the six months ended 30 June 2024 (for the six months ended 30 June 2023: nil).

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix C1 to the Listing Rules. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors of the Company, namely, Ms. Wang Danzhou, Ms. Du Yilin and Mr. Wei Bin. Mr. Wei Bin is the chairman of the Audit Committee.

The Audit Committee has reviewed the interim results and confirmed that the applicable accounting principles, standards and regulations have been complied with and that adequate disclosures have been made.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares of the Company have been listed on the Main Board of the Stock Exchange since 12 July 2022. The Group received net proceeds (including the partial exercise of the over-allotment option and after deduction of underwriting commissions and related costs and expenses) from the Global Offering of approximately HK\$339.6 million (the “**Net Proceeds**”). The Group will continue to utilise the Net Proceeds as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The intended application of the Net Proceeds as stated in the Prospectus and the actual utilisation of the Net Proceeds from the Listing Date up to the date of this announcement is set out below:

During the Reporting Period, the Net Proceeds have been and will be used in accordance with the purposes set out in the Prospectus, and there has been no material change or delay in the use of the Net Proceeds.

	Percentage of the Net Proceeds %	Actual Allocation of the Net Proceeds HK\$ million	Utilised Net Proceeds as at 30 June 2024 HK\$ million	Unutilised balance as at 30 June 2024 HK\$ million	Expected timeline for the use of the balance
Planned Use of Net Proceeds					
Upgrade and enhance SaaS products	50.8	172.5	46.4	126.1	By 31 December 2025
R&D technology and data warehouse	49.2	167.1	35.5	131.6	By 31 December 2025
Total	100%	339.6	81.9	257.7	

PUBLICATION OF 2024 INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the HKEXnews website (www.hkexnews.hk) and the Company's website (ir.sinohealth.cn). The 2024 interim report of the Company will be despatched to the Shareholders and published on the aforementioned websites in due course.

DEFINITIONS

“AI”	artificial intelligence
“AI-MDT”	artificial intelligence multi-disciplinary treatment
“Articles of Association”	the articles of association of the Company (as amended from time to time)
“Audit Committee”	the audit committee of the Board
“Board”	the board of Directors
“B2C”	Business-to-Customer, sell products and services directly to consumers
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“China” or “PRC”	the People's Republic of China, but for the purpose of this announcement only and except where the context requires otherwise, references in this announcement to “China” or “PRC” do not include Hong Kong, the Macau Special Administrative Region and Taiwan
“CHIS”	Chinese Health Industry Intelligence Information System, one of the Group's SaaS products that provides customers with industry information inquiry, retail data inquiry, drug database and other functions
“CPEO”	Health Industry Ecological Conference, China's health industry forward-looking ecological conference
“CPIE”	Pharmaceutical Innovation Ecosystems Conference, forward-looking ecological conference on pharmaceutical innovation in China
“Company”	Sinohealth Holdings Limited, an exempted company with limited liability incorporated in the Cayman Islands on 4 March 2019 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 7 July 2021

“CRO”	Contract Research Organization, an academic or commercial scientific institution that provides specialized services in the research and development process of basic medicine and clinical medicine for pharmaceutical enterprises, medical institutions, small and medium-sized medical device R&D enterprises and other institutions through contract
“Director(s)”	the director(s) of the Company
“Global Offering”	the Hong Kong public offering and international offering of the Shares
“Group” or “We”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Date”	12 July 2022, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares were permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MASC”	Health Traffic Conference, our conference platform focused on traffic research and value interaction
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Nomination Committee”	the nomination committee of the Board
“O2O”	Online To Offline, a form of transaction in which goods or services are booked or placed online and delivered offline
“PHCF”	Pharma & Healthcare Conference and Fair, our event held for healthcare industry players
“Prospectus”	the prospectus of the Company dated 28 June 2022 in connection with the Global Offering
“Remuneration Committee”	the remuneration committee of the Board
“Reporting Period”	Six months ended 30 June 2024

“RMB”	Renminbi, the lawful currency of China
“SaaS”	software as a service, a cloud-based software licensing and delivery model in which software and associated data are centrally hosted
“SCRM”	Social Customer Relationship Management, engaging with customers through social media and using technology to disseminate, capture and analyze customer data to discover customer needs and maintain long-term customer relationships. More emphasis on customer engagement and two-way interaction than traditional customer relationship management
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the share option scheme adopted by the Company on 27 April 2022
“Share Award Scheme”	the share award scheme adopted by the Company on 5 December 2022
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SIC”	one of SaaS products of the Group’s Smart Retail Cloud business segment, that provide pharmacies with comprehensive services such as operation management, membership management, category management, smart marketing, chronic disease management and pharmaceutical services
“Sinohealth Information”	Guangzhou Sinohealth Information Co., Ltd (廣州中康資訊股份有限公司), a joint stock company with limited liability established in the PRC on 20 December 2007 and deemed to be a wholly-owned subsidiary of the Group pursuant to the Contractual Arrangements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tertiary Hospitals”	tertiary-grade A class hospitals, which belong to the highest level in the classification of hospitals pursuant to the classification of medical institutions in accordance with China’s existing Hospital Classification Management Measures and other regulations
“TMEC”	the whole industry chain ecological conference we held for the Chinese medicine market segment
“To B business”	sell products and services directly to pharmaceutical and medical equipment enterprises, pharmaceutical retail enterprises

“To C business”	sell products and services directly to consumers
“To R business”	sell products and services directly to relevant entities in the field of biomedical research and development
“Trust”	the trust constituted by the Trust Deed
“Trustee”	Futu Trustee Limited, a professional trustee appointed under the Trust Deed to act as trustee of the Trust
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	Percent

By Order of the Board
Sinohealth Holdings Limited
Wu Yushu
Chairman

Hong Kong, 28 August 2024

As of the date of this announcement, the executive Directors are Mr. Wu Yushu and Ms. Wang Lifang, the non-executive Director is Mr. Fu Haitao, and the independent non-executive Directors are Ms. Wang Danzhou, Ms. Du Yilin and Mr. Wei Bin.