MedSci Healthcare Holdings Limited
梅斯健康控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 2415

2023 INTERIM REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang Fabao (張發寶博士) *(Chairman of the Board)*
Dr. Li Xinmei (李欣梅博士) *(Chief Executive Officer)*
Mr. Fan Jie (樊傑先生) *(Co-Chief Executive Officer)*
Mr. Wang Shuai (王帥先生)

Non-executive Directors

Mr. Hu Xubo (胡旭波先生)
Mr. Yan Shengfeng (閆盛楓先生)

Independent Non-Executive Directors

Ms. Liu Tao (劉濤女士)
Mr. Yu Mingyang (佘明陽先生)
Mr. Lau Yiu Kwan Stanley (劉耀坤先生)

Joint Company Secretaries

Mr. Yang Chun (楊春先生)
Ms. Kwan Sau In (關秀妍女士) *(ACG, HKACG)*

Audit Committee

Ms. Liu Tao (劉濤女士) *(Chairwoman)*
Mr. Yu Mingyang (佘明陽先生)
Mr. Lau Yiu Kwan Stanley (劉耀坤先生)

Remuneration Committee

Mr. Yu Mingyang (佘明陽先生) *(Chairman)*
Dr. Li Xinmei (李欣梅博士)
Ms. Liu Tao (劉濤女士)

Nomination Committee

Dr. Zhang Fabao (張發寶博士) *(Chairman)*
Mr. Yu Mingyang (佘明陽先生)
Mr. Lau Yiu Kwan Stanley (劉耀坤先生)

Authorised Representatives

Dr. Li Xinmei (李欣梅博士)
Ms. Kwan Sau In (關秀妍女士) *(ACG, HKACG)*

Auditors

Ernst & Young
(Certified Public Accountants
Registered Public Interest Entity Auditor)
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

Legal Advisors

as to Hong Kong laws

Eric Chow & Co. in Association with
Commerce & Finance Law Offices
3401, Alexandra House, 18 Chater Road
Central
Hong Kong

as to PRC laws

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12–14th Floor
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No. 1 Jianguomenwai Avenue
Beijing 100004
China

Compliance Adviser

TC Capital International Limited
Suite 3508, 35/F, Tower 6
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9 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Registered Office

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Grand Cayman, KY1-9009
Cayman Islands

Headquarters and Principal Place of Business in the PRC

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No. 258, Xinzhuan Road, Songjiang District
Shanghai
PRC

Principal Place of Business in Hong Kong

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

CORPORATE INFORMATION

Principal Banks

China Construction Bank Co. Ltd.
Shanghai Longcao Road Branch
No. 69–75, Longcao Road
Xuhui District
Shanghai
PRC

China Construction Bank Co. Ltd.
Shanghai Longcao Road Branch
No. 69–75, Longcao Road
Jingan District
Shanghai
PRC

Bank of Shanghai Co., Ltd.
Minhang Branch
No. 1885, Qixin Road
Minhang District
Shanghai
PRC

China Merchants Bank Co., Ltd.
Shanghai Branch
11/F, No. 1088, Lujiazui Ring Road
Pudong District
Shanghai
PRC

CMB Wing Lung Bank Limited
CMB Wing Lung Bank Building
45 Des Voeux Road Central
Hong Kong

Principal Share Registrar

Ogier Global (Cayman) Limited
89 Nexus Way
Camana Bay, Grand Cayman
KY1-9009 Cayman Islands

Hong Kong Share Registrar

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Stock Code

2415

Company’s Website

http://medscihealthcare.com/

BUSINESS OVERVIEW

The Group operates online professional physician platforms in China. As at 30 June 2023, our platform had approximately 3.0 million registered physician users and our average MAU (as defined below in Note) reached approximately 2.8 million in 2023. Our MedSci platform also features a high percentage of experienced physician users with the title of associate-chief physician (副主任醫師) and above. The total number of registered physician users on our MedSci platform who had the title of associate-chief physician and above represented 72% of the total number of physicians in China who had obtained the title of associate-chief physician and above, based on the latest published information from the NHC. Our MedSci platform is accessible through multiple channels such as website, mobile application, WeChat mini-program and WeChat public account. The platform proactively engages physicians through means such as email, phone calls, WeChat, and WeChat groups. Contents available on our platform are principally and independently published by MedSci. Furthermore, third parties, including pharmaceutical and medical device companies, industry associations, and individual self-media, are provided with ancillary support for their release of information.

Note: "MAU" refers to number of unique registered users, including all registered users such as physicians, nurses, pharmacists and other non-healthcare professionals, that accessed our platform in a given month; "average MAUs" for a particular period is the average of the MAUs in each month during that period; we count a registered user as an active user only when such user accesses our platform at least once in a given month; multiple logins through one account will be consolidated when determining the number of active users.

The Group maintains a comparatively balanced development in precision omni-channel marketing, physician platforms, and real-world clinical study (RWS) businesses. By rendering support to precision omni-channel marketing and RWS business, our platform effectively safeguards the foundation and sustainability of our business operations. The Group's precision omni-channel marketing largely differs from the majority of digital marketing companies in the following ways: (i) the Group's precision omni-channel marketing mainly features the integration of academic marketing and digital marketing, which persists in the dual drive of medicine and digitalisation to promote the transformation of the pharmaceutical marketing model from traditional marketing models to digital and academic approaches, as pure digital marketing easily leads to the phenomenon where bad money drives out good money. As affected by policies including volume-based procurement and current anti-corruption campaigns in the healthcare industry, pharmaceutical and medical device enterprises have witnessed significant reduction in both revenue and profit, and therefore are actively seeking digital and academic marketing models, as well as marketing solutions to improve efficiency at lower costs, comply with regulations, and implement precise, value-based medicine, which aims to align with the current strict anti-corruption policies and identify alternatives to traditional marketing models; (ii) the Group's precision omni-channel marketing does not contradict digital marketing or on-ground marketing. It flexibly adopts multimodal marketing approaches according to different stages of product lifecycles. For example, in the early stages of launching innovative drug products, the Group closely integrates digital academic marketing with the ground sales teams of our clients to achieve the omni-channel coverage for greater marketing effectiveness; and (iii) value-based healthcare orientation. By persisting in the development model driven by both medicine and digitalisation, the Group explores the academic highlights of pharmaceutical and medical device products, which are used to identify the clinical application differences among different products. This allows the products to accurately match suitable patients, which is conducive to promoting rational use of drugs in clinical settings and facilitating the clinical recognition of the therapeutic value of the products, and ultimately benefits patients, as well as pharmaceutical and medical device enterprises.

BUSINESS OVERVIEW

As for precision omni-channel marketing and RWS targeted at pharmaceutical and medical device enterprises, certain products have achieved initial synergistic interaction, which means that the potential academic highlights of the products are analysed, and clinical evidence and pharmacoeconomic evidence are provided through RWS. Furthermore, these evidence-based findings are further promoted through digitalisation and academic approaches at the marketing level. As the Group's business continues to progress, it is expected that stronger synergistic effects will come to light in the future.

In response to the requirements of pharmaceutical and medical device enterprises for precision omni-channel marketing and RWS, the Group has developed targeted digital academic marketing products based on the features of therapeutic fields and product lifecycles: (i) in relation to products in the public health domain, segmentation-based digital academic marketing solutions have been developed, which has played a crucial role in promoting products in recent public health domains like COVID-19 infection and influenza, and facilitate the timely connection of clinically effective innovative drugs to patients in need. Furthermore, our service coverage fully extends to COVID-19 treatment drugs and influenza treatment drugs domestically approved for their launch in the market; (ii) as products related to rare diseases, which are innovative in nature, currently have comparatively limited market size in China, the traditional marketing models adopted by businesses are costly and ineffective. The Group has created the iDocEco ecosystem and iPatflow digital patient classification product for these types of products, facilitating their faster identification of potential patients and subsequent diagnosis and treatment. Currently, these solutions have achieved significant marketing outcomes for multiple rare disease products and innovative drugs for certain specific therapeutic areas, providing timely diagnosis and treatment for many patients suffering from rare diseases.

In the first half of 2023, 180 pharmaceutical and medical device enterprises utilised the Group's precision omni-channel marketing and RWS services, including 336 medical device-related products. With favourable policies surrounding innovative pharmaceuticals and medical devices, it will contribute to the sustainable development of the Group's future business.

As regards research and development, for the large language model (LLM), we conducted internal testing of our exclusive artificial intelligence (AI) program called MSchat in the first half of 2023. It is expected to be officially launched in the second half of 2023 and be applied to our clients. Meanwhile, the Company has actively deployed various AI applications across different business segments. Currently, AI technology has been fully implemented in a variety of departments including research and development, as well as medical department, to enhance efficiency and quality.

The physician platform business, as the cornerstone of the Company's development, primarily caters to the ongoing medical education and clinical research requirements of healthcare professionals. By providing our website and mobile application services, we offer comprehensive support to physicians in clinical practice and research, including access to cutting-edge information, research skill development, and research tool support. This business segment maintains a steady growth trajectory, which will further strengthen our leading position in this field.

BUSINESS OVERVIEW

The Group's revenue increased by approximately 11.9% from approximately RMB135.3 million for the six months ended 30 June 2022 (the "**Reporting Period**") to approximately RMB151.4 million for the six months ended 30 June 2023. Our gross profit amounted to approximately RMB88.3 million for the six months ended 30 June 2023, representing an increase of approximately 8.2% as compared to approximately RMB81.6 million for the six months ended 30 June 2022. The gross profit margin for the six months ended 30 June 2023 continued to maintain a high level at 58.3%. The net profit for the six months ended 30 June 2023 was approximately RMB11.9 million as compared to net loss of approximately RMB-107.2 million for the six months ended 30 June 2022, being the same period of the previous year. The adjusted net profit for the six months ended 30 June 2023 was approximately RMB12.2 million, representing an increase of approximately 15.5% as compared to approximately RMB10.6 million for the six months ended 30 June 2022. The Group's net profit margin (calculation of which is based on the profit for the period) grew from approximately –79.2% for the six months ended 30 June 2022 to approximately 7.9% for the same period in 2023. The adjusted net profit margin for the six months ended 30 June 2023 was approximately 8.1%, representing an increase of 0.3 percentage point as compared to approximately 7.8% for the same period in 2022.

OUTLOOK

Although the pharmaceutical sector faces numerous challenges amid the ongoing adjustments of the overall economic conditions, our MedSci platform as the physician platform remains confident about the future. In the second half of 2023, the Group will consolidate its position as China's leading physician platform through the following strategies:

(i) We continue to build multiple targeted precision omni-channel marketing products based on the features of the therapeutic field and product lifecycle. In the earlier stages, the Group mainly focuses its service products on innovative drugs and medical devices, particularly innovative medications. In the second half of 2023, the Group will develop a series of products specifically targeted at centralised procurement products and innovative medical devices, providing the industry with more comprehensive product solutions.

    In the context of the comprehensive rollout of centralised procurement and the intensified anti-corruption efforts in the pharmaceutical sector, the Group persists in the value-based medical concept and upholds the development model driven by both medical academia and digitalisation. This aligns well with policy developments and the demand for digital academic marketing transformation from customers. Due to the accumulation of a large customer base, industry experience, and best practices in previous years, our MedSci platform will be in a favourable position to benefit from the industry's digital and academic marketing transformation.

(ii) The LLM AI application in the healthcare and pharmaceutical sectors has gained widespread usage due to the rapid development of AI technology. The Group actively embraces AI and expects to enhance service quality and efficiency to reduce relative costs as AI applications deepen. Furthermore, as part of our AI products, MSchat has completed internal testing as at 30 June 2023, and it is currently in the beta version trial phase (https://mschat.medsci.cn). In the second half of 2023, specific applications based on MSchat, which are targeted at pharmaceutical and medical device enterprises, will be launched.

(iii) Specialisation and segmentation of the physician platform. The Group's physician platform is comprehensive, allowing doctors across different disciplines to exchange knowledge and enabling specialist practitioners to learn interdisciplinary knowledge. In recognition of the value of vertical medical platforms, however, the Group will develop a specialist platform for vertical fields to further refine the platform's value and user experience, laying the foundation for future commercialisation.

BUSINESS OVERVIEW

(iv) In the second half of 2023, the Group will pursue a dual-track strategy of internal expansion and external acquisitions. Based on the current needs of the healthcare and pharmaceutical industries, the Group actively explores new business directions to identify the second growth curve for the business. Internal expansion primarily involves the continuity of developing innovative products and extending services to explore new business growth engines. External acquisitions are focused on identifying suitable acquisition targets to supplement the breadth and depth of the business.

FINANCIAL HIGHLIGHTS

	For six months ended 30 June		Period-on-period movement*
	2023	2022	
	(RMB'000)	(RMB'000)	%
	(Unaudited)	(Unaudited)	
Revenue	**151,400**	135,287	11.9
Cost of sales	**63,070**	53,687	17.5
Gross profit	**88,330**	81,600	8.2
Profit/(Loss) for the period	**11,920**	(107,198)	N/A
Profit/(Loss) attributable to owners of the parent	**11,920**	(107,198)	N/A
Non-IFRS adjusted net profit**	**12,213**	10,575	15.5

* Period-on-period movement% represents a comparison between the Reporting Period and the Corresponding Period.

** Non-IFRS adjusted net profit was derived from the unaudited profit for the period adjusted by excluding the relevant listing expenses and fair value gains/losses on convertible redeemable preferred shares.

Revenue by solution category

	For six months ended 30 June				Period-on-period movement*
	2023		2022		
	RMB	**%**	RMB	%	%
	(Unaudited)		(Unaudited)		
	(RMB in thousands, except percentages)				
Precision Omni-channel Marketing Solutions	**85,523**	**56.5**	76,437	56.5	11.9
Physical Platform Solutions	**43,876**	**29.0**	36,985	27.3	18.6
RWS Solutions	**22,001**	**14.5**	21,865	16.2	0.6
Total	**151.400**	**100.0**	135,287	100.0	11.9

* Period-on-period movement% represents a comparison between the Reporting Period and the Corresponding Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

During the first half of 2023, we generated revenue primarily from three main business lines, namely (i) precision omni-channel marketing solutions; (ii) physician platform solutions; and (iii) RWS solutions. Our total revenue increased by 11.9% from approximately RMB135.3 million for the six months ended 30 June 2022 to approximately RMB151.4 million for the same period in 2023, mainly attributable to increase in revenue from the precision omni-channel marketing solutions and physician platform solutions.

(i) Precision omni-channel marketing solutions

Revenue from precision omni-channel marketing solutions is primarily derived from fees paid by pharmaceutical and medical device companies in engaging us for precision detailing services, medical content creation services and online survey services. Revenue from precision omni-channel marketing solutions increased by approximately 11.9% from approximately RMB76.4 million for the six months ended 30 June 2022 to approximately RMB85.5 million for the same period in 2023, mainly attributable to the expansion of our customer coverage in response to changes in market conditions and national policies.

(ii) Physician platform solutions

Revenue from physician platform solutions is primarily derived from (i) service fees paid by physicians for engaging us for clinical study assistance services; and (ii) subscription fees paid by physicians for accessing certain premium academic medical contents on the MedSci platform. Revenue from physician platform solutions increased by approximately 18.6% from approximately RMB37.0 million for the six months ended 30 June 2022 to approximately RMB43.9 million for the same period in 2023, mainly attributable to our business growth significantly driven by the scientific research demand by physicians, which was stimulated by the introduction of certain new products in May 2022. In the meantime, as compared to previous years, the business-side staff were more stable in 2023, where the skillful business professionals are more effective in expanding the business and exploring customer needs, resulting in certain improvement in output.

(iii) RWS solutions

Revenue from RWS solutions is primarily derived from service fees paid by pharmaceutical and medical device companies in engaging us to design, administer and execute real-world evidence-based research projects to help expand their medical products' indication and recognition. Revenue from RWS solutions increased by approximately 0.6% from approximately RMB21.9 million for the six months ended 30 June 2022 to approximately RMB22.0 million for the same period in 2023, mainly attributable to revenue for the current period being largely the same as compared to the same period of the previous year, which resulted from more caution exercised by customers over their research-related investments after considering the overall decline in the pharmaceutical market.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sales

Our cost of sales consists primarily of (i) staff salaries and benefits relating to employee benefit expenses incurred for employees involved in operating our platform and offering our solutions to customers; (ii) content development costs primarily relating to content development fees paid to various content contributors, copyright owners and other third parties to produce contents for our solutions offering; (iii) meeting affair charge relating to offline academic conferences we organised; and (iv) various other miscellaneous expenses such as, among others, office expenses and depreciation and amortisation incurred during the ordinary course of our business. Our content development costs increased by approximately 17.5% from RMB53.7 million for the six months ended 30 June 2022 to RMB63.1 million for the same period in 2023, mainly attributable to more investments in content development costs for the purposes of ensuring quality deliveries and customer satisfaction rate during our initial phase of our market entry.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 8.2% from approximately RMB81.6 million for the six months ended 30 June 2022 to approximately RMB88.3 million for the same period in 2023. For the six months ended 30 June 2023, our gross profit margin was approximately 58.3%, representing a slight decrease as compared to 60.3% in 2022.

Other Income and Gains

Our other income primarily consists of (i) bank interest income; (ii) tax incentives granted by local authorities; (iii) government grants; (iv) value-added tax; and (v) others. We also recognised gains for the six months ended 30 June 2023 which primarily includes (i) foreign exchange gains; and (ii) fair value gains on financial assets through profit or loss. For the six months ended 30 June 2023, our other income and gains were approximately RMB13.2 million, as compared to approximately RMB8.8 million for the same period in 2022. The increase was mainly attributable to (i) increase in income interest from bank deposits; and (ii) recognition of government grants.

Selling and Distribution Expenses

Our selling and distribution expenses consist primarily of (i) staff salaries and benefits mainly including expenses paid to employees performing selling and distribution functions; (ii) traveling expenses mainly including traveling fees incurred by our employees in performing selling and distribution functions; (iii) professional fees in relation to fees paid to external lecturers in hosting our online courses; (iv) business development expenses mainly including marketing-associated costs in relation to various online and offline campaigns; and (v) other miscellaneous expenses, such as, office expenses and depreciation and amortisation in relation to property, office equipment and electronic equipment in association with selling and distribution functions. Our selling and distribution expenses increased by approximately 4.6% from approximately RMB47.5 million for the six months ended 30 June 2022 to approximately RMB49.7 million for the same period in 2023, mainly attributable to the increased investment in the operation of the physician platforms, which is in line with the business expansion plan of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Research and Development Expenses

Our research and development expenses primarily consist of (i) employee salaries and benefits, which primarily include salaries and benefits paid to employees performing research and development duties; (ii) depreciation and amortisation of properties, office equipment and electronic equipment related to research and development functions; (iii) technical service fees in relation to research and development service fees; (iv) procurement fees for software and servers, etc. related to R&D activities; and (v) other miscellaneous expenses. Our research and development expenses increased by approximately 83.8% from approximately RMB10.4 million for the six months ended 30 June 2022 to approximately RMB19.1 million for the same period in 2023, mainly due to the establishment of large-scale research and development projects by the Company in mid 2022. The purpose of these projects is to enhance the content quality of the Company's platform, increase user activity and stickiness, thereby increasing our marketing business volume. As our research and development activities are on-going, it will lead to an increase in our research and development expenses.

Administrative Expenses

Our administrative expenses consist primarily of (i) staff salaries and benefits mainly including salaries and benefits paid to employees performing administrative functions; (ii) depreciation and amortisation in relation to property, office equipment and electronic equipment in association with administrative functions; (iii) professional fees in relation to auditing fees, service fees paid for external training and service fees paid to employment agencies; (iv) office expenses in relation to administrative functions; (v) share-based payment in relation to the equity incentive plan; (vi) listing expenses in relation to the Global Offering; and (vii) other miscellaneous fees such as travelling expenses and utility expenses incurred during the ordinary course of our business when performing administrative functions. Our administrative expenses decreased by approximately 29.2% from approximately RMB44.9 million for the six months ended 30 June 2022 to approximately RMB31.8 million for the same period in 2023, mainly attributable to a decrease in listing expenses in respect of the Global Offering.

Finance Costs

Our finance costs primarily represent interest on our lease liabilities. Our finance costs were approximately RMB0.2 million for the six months ended 30 June 2022, which is basically the same as approximately RMB0.2 million for the same period in 2023.

Profit/(Loss) before Tax

As a result of the foregoing, we generated profit before tax of approximately RMB12.9 million for the six months ended 30 June 2023 as compared to a loss before tax of approximately RMB107.4 million for the six months ended 30 June 2022.

Income Tax (Expense)/Credit

Our income tax expense increased from approximately RMB-0.2 million for the six months ended 30 June 2022 to approximately RMB1.0 million for the same period in 2023, mainly attributable to a decrease in listing expenses in respect of the Global Offering.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit/(Loss) for the Period and Profit/(Loss) Attributable to Owners of the Parent

As a result of the foregoing, our loss for the period of approximately RMB107.2 million for the six months ended 30 June 2022 was turnaround to become a profit of approximately RMB11.9 million for the same period in 2023, while the loss attributable to owners of the parent of approximately RMB107.2 million for the six months ended 30 June 2022 was turnaround to become profit attributable to owners of the parent of approximately RMB11.9 million for the same period in 2023. Our net profit margin (calculation of which is based on profit for the period) increased from approximately −79.2% for the six months ended 30 June 2022 to approximately 7.9% for the same period in 2023.

Adjusted Net Profit (Non-IFRS measures)

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company also used unaudited non-IFRS adjusted net profit as an additional financial measure in order to evaluate its financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. The term "adjusted net profit" is not defined under IFRS. Other companies in the industry which the Group operates in may calculate such non-IFRS item differently from the Group. The use of adjusted net profit has material limitations as an analytical tool, as adjusted net profit does not include all items that impact the Group's net profit for the Reporting Period and should not be considered in isolation or as a substitute for analysis of the Group's results as reported under IFRS.

The following table sets out the calculation of adjusted net profit for the periods indicated:

	For six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
Profit/(Loss) for the period	**11,920**	(107,198)
Add:		
Relevant listing expenses	**13,078**	26,393
Fair value (gains)/losses on convertible redeemable preferred shares	**(12,785)**	91,380
Adjusted net profit	**12,213**	10,575

For the six months ended 30 June 2023, the adjusted net profit (adjusted by excluding the relevant listing expenses and fair value gains on convertible redeemable preferred shares) amounted to approximately RMB12.2 million, representing an increase of approximately 15.5% as compared to approximately RMB10.6 million for the first half of 2022.

The adjusted net profit margin for the six months ended 30 June 2023 was approximately 8.1%, representing an increase of 0.3 percentage point as compared to approximately 7.8% for the same period in 2022.

LIQUIDITY AND CAPITAL RESOURCES

For the six months ended 30 June 2023, we mainly intended to finance our future capital requirements through cash generated from our business operations, and the net proceeds from the Global Offering. We currently do not anticipate any changes to the availability of financing to fund our operations in the near future.

The unutilised portion of the net proceeds raised by the Company from the Global Offering was placed with the licensed financial institutions as short-term deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

In the management of liquidity risk, the Company regularly monitors its liquidity requirements and our compliance with lending covenants, to ensure that the Company maintains sufficient reserves of cash, readily realizable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

Cash and Cash Equivalents

The Group operates its business in the PRC and its transactions and revenue were primarily denominated in Renminbi ("**RMB**"). As such, the Group did not have material exposure to fluctuations in foreign currency exchange rates for cash generated from its operating activities. However, the net proceeds received by the Company from the Global Offering are denominated in Hong Kong dollars ("**HKD**") and the Company is exposed to fluctuation of exchange rate between RMB and Hong Kong dollars. The net proceeds raised by the Group from the Global Offering in April 2023 was approximately HKD526.8 million. As at 30 June 2023, the Group's cash and cash equivalents amounted to approximately RMB760.1 million (mainly including cash at banks), as compared to approximately RMB599.3 million as at 31 December 2022.

We currently do not have any hedging policy for foreign currencies in place. However, the Board will remain alert to any relevant risks and, if necessary, consider to hedge any material potential foreign exchange risk.

Banking Facilities

For six months ended 30 June 2023, we did not have any banking borrowings or other interest-bearing borrowings, nor did we have outstanding bank and other borrowings and other debts, save for the lease liabilities for the relevant lease terms amounting to approximately RMB7.6 million in aggregate.

Financial Assets at Fair Value through Profit or Loss

The Group's financial assets at fair value through profit or loss increased from approximately nil as at 31 December 2022 to approximately RMB389.05 million as at 30 June 2023, primarily due to an increase in the wealth management products invested.

As part of the Group's treasury management, the Group may from time to time purchases low to medium-risk wealth management products using internal resources without utilising proceeds from the Global Offering to improve utilisation of the Group's cash on hand on a short-term basis. The Group has implemented internal policies and rules setting out overall principles and the approval process to manage such investment activities. As a policy, the Group considers a number of criteria when assessing a proposal to invest in wealth management products, including but not limited to the following:

i. the Group has idle cash and bank balances and no major cash outflow is needed in the foreseeable future;

ii. the investment in high-risk wealth management products, such as futures and other financial derivatives, are prohibited;

iii. the investment return will be in line with the level of risk and liquidity; and

iv. the management of such investments will align with the Group's development strategies and will not affect the business operation of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

Gearing Ratio

As at 30 June 2023, the gearing ratio, which is calculated by dividing borrowings by total equity, is zero as there was no debt.

Charge on Assets

As at 30 June 2023, we did not pledge any of our assets.

Pledge of Shares by the Controlling Shareholders

The controlling shareholders of the Company did not pledge any of their Shares in the Group to secure the Group's debts or to secure guarantees or other support of the Company's debts during the Reporting Period.

Capital Commitment

As at 30 June 2023, we did not have any significant capital commitment.

Contingent Liabilities

As at 30 June 2023, we did not have any material contingent liabilities.

Loan Agreements or Financial Assistance of the Group

The Group did not provide any financial assistance nor guarantee to its affiliated companies during the Reporting Period. The Group did not enter into any loan agreement with covenants relating to specific responsibility of its controlling shareholders nor breach the terms of any loan agreements during the same Reporting Period.

Significant Investments, Acquisitions and Disposals

The Group did not have any significant acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Save as disclosed in the section headed "Financial Assets at Fair Value through Profit or Loss" in this interim report, as at 30 June 2023, there was no significant investment held by the Group or future plans for significant investments or capital assets.

MANAGEMENT DISCUSSION AND ANALYSIS

Remuneration Policies, Employees and Staff Costs

As at 30 June 2023, the Group had a total of 638 full-time employees, all of who are based in Mainland China. In particular, 113 employees are responsible for the Group's management, 229 employees for platform operation and customer services, 61 employees for research and development, 28 employees for general and administration, and 207 employees for sales and marketing.

For the six months ended 30 June 2023, the total staff cost incurred by the Group was approximately RMB88.1 million, as compared to approximately RMB86.4 million for the same period in 2022.

The Group provides orientation and training to new recruits as well as ongoing in-house training for junior employees, which the Group believes can enhance the skills and productivity of its employees. As part of the Group's retention strategy, the Group ensures that its remuneration packages are comprehensive and competitive from time to time. When determining the emolument payable to the Directors (including the executive Directors), the Group takes into account the qualifications, skills and experience, time commitment and contribution of the Directors, their level of responsibility and general market conditions. Any discretionary bonus and other merit payments of the Directors are linked to the profit performance of the Group and the individual performance of the Directors. The Group compensates employees with competitive base salaries, performance-based bonuses and other incentives.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standards of corporate governance, which is essential to the Company's development and protection of the interests of its shareholders. The Company has adopted the relevant code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis for its corporate governance practices.

The Board is of the view that the Company has complied with all the applicable code provisions as set out in the CG Code since the Listing Date and up to 30 June 2023. The Board will continue to review and monitor the corporate governance practices of the Company with the aim of maintaining a high standard of corporate governance.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's employees who, because of his/her office or employment, are likely to possess inside information. Specific enquiries have been made by the Company to all Directors, and the Directors have confirmed that they have complied with the Model Code since the Listing Date and up to 30 June 2023. No incident of non-compliance of the Model Code by the employees was identified by the Company since the Listing Date and up to 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Directors' Interest in Competing Business

During the six months ended 30 June 2023, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

Purchase, Sale or Redemption of Listed Securities

Since the Listing Date and up to 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Changes in the Information of Directors

After making specific enquirers by the Company and confirmed by the Directors, no other changes in the information of any Directors after the date of the prospectus that are required to be disclosed pursuant to paragraphs (a) to (e) and paragraph (g) of Rule 13.51(2) of the Listing Rules have to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Use of Proceeds

The shares (the "**Shares**") of the Company were listed on the Main Board of the Stock Exchange on 27 April 2023 (the "**Listing Date**") at HKD9.10 per share, with net proceeds received by the Company from the global offering of its shares (the "**Global Offering**") in the amount of approximately HKD526.8 million after deducting underwriting commissions and all related expenses. The number of Shares issued under the Global Offering was 66,789,000 Shares and the aggregate nominal value of the Shares issued was US$6,678.9. The following table sets forth the Company's use of the proceeds from the Global Offering as at 30 June 2023:

	Approximate % of the total net proceeds	**Net proceeds from the Global Offering HKD'million**
Business expansion	45	237.1
Further technology development	35	184.4
Potential investments and acquisitions or strategic alliance with companies that can generate synergies with our business	15	79.0
Working capital and general corporate purposes	5	26.3
Total	100.0	526.8

The Group has not yet utilised any net proceeds, and will gradually utilise the net proceeds in accordance with the intended purposes and timeline as stated in the prospectus of the Company dated 27 April 2023.

Future Plans for Material Investments and Capital Assets

Save as disclosed in the aforementioned section headed "**Use of proceeds**" in this report, the Group did not have plan for material investments and capital assets as at the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023.

Directors' and Chief Executive's Interests or Short Positions in Shares, Underlying Shares and Debentures of the Company and Its Associated Corporations

As at 30 June 2023, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is keen to taken or deemed to have under such provisions of the SFO), or as recorded in the registered maintained by the Company under Section 352 of the SFO, or as notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests and short positions of our Directors in the share capital of the Company and its associated corporations

(a) Interest in Shares of the Company

Name	Capacity/Nature of Interest	Number of Shares/ underlying Shares as at 30 June 2023[(1)]	Approximate percentage of shareholding in the Company as at 30 June 2023[(2)]
Dr. Li	Interest in a controlled corporation	177,929,750(L)[(3)]	29.30%
	Interest of spouse	165,829,250(L)[(3)]	27.31%
Dr. Zhang	Interest in a controlled corporation	141,612,700(L)[(4)]	23.32%
	Interest in a controlled corporation	24,216,550(L)[(4)]	3.99%
	Interest of spouse	177,929,750(L)[(4)]	29.30%
Mr. Hu Xubo (胡旭波)	Interest in a controlled corporation	65,983,400(L)[(5)]	10.87%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) The calculation is based on a total of 607,170,950 Shares in issue as at 30 June 2023.

(3) Microhealth Limited is wholly owned by Dr. Li and Dr. Li beneficially holds 177,929,750 Shares. By virtue of the SFO, Dr. Li is deemed to be interested in the Shares held by Microhealth Limited. As Dr. Zhang is the spouse of Dr. Li, Dr. Li is deemed to be interested in the Shares in which Dr. Zhang is interested by virtue of the SFO, being 165,829,250 Shares.

(4) Dtx Health Limited is wholly owned by Dr. Zhang and Dr. Zhang beneficially holds 141,612,700 Shares. By virtue of the SFO, Dr. Zhang is deemed to be interested in the Shares held by Dtx Health Limited. As Dr. Li is the spouse of Dr. Zhang, Dr. Zhang is deemed to be interested in the Shares in which Dr. Li is interested by virtue of the SFO, being 177,929,750 Shares. Meilong Limited is one of our employee equity incentive platforms, which is held as to approximately 44.67% by Dr. Zhang (including approximately 2.58% held through Dtx Health Limited) as at 30 June 2023, and beneficially held 24,216,550 Shares. By virtue of the SFO, Dr. Zhang is deemed to be interested in the Shares held by Meilong Limited.

MANAGEMENT DISCUSSION AND ANALYSIS

(5) Dragon Step Ventures Limited is 100% held by Suzhou Qiming Ronghe Venture Capital Investment Partnership (Limited Partnership)* (蘇州啟明融合創業投資合夥企業(有限合夥)) ("**Qiming Ronghe**"). Qiming Ronghe is controlled by Suzhou Qicheng Investment Management Partnership (Limited Partnership)* (蘇州啓承投資管理合夥企業(有限合夥)) ("**Suzhou Qicheng**"), which is in turn controlled by Shanghai Qichang Investment Consulting Co., Ltd.* (上海啟昌投資諮詢有限公司) ("**Shanghai Qichang**"), a company held as to 50% and 50% by Mr. Hu Xubo and Ms. Yu Jia, respectively. Gleaming Global Investments Limited is 100% held by Suzhou Qisi Enterprise Management Consultancy Partnership (Limited Partnership)* (蘇州啓斯企業管理諮詢合夥企業(有限合夥)) ("**Suzhou Qisi**"). Suzhou Qisi is controlled by Beijing Qiyao Investment Management Partnership (Limited Partnership)* (北京啓耀投資管理合夥企業(有限合夥)) ("**Beijing Qiyao**"), which is in turn controlled by Suzhou Qiman Investment Management Co., Ltd.* (蘇州啟滿投資管理有限公司) ("**Suzhou Qiman**"), a company held as to 50% and 50% by Mr. Hu Xubo and Ms. Yu Jia, respectively. Therefore, Mr. Hu Xubo and Ms. Yu Jia are deemed to be interested in 53,865,750 Shares held by Dragon Step Ventures Limited and 12,117,650 Shares held by Gleaming Global Investments Limited by virtue of the SFO.

(b) Interest in shares of the Company's associated corporations

Name	Capacity/Nature of Interest	Associated Corporations	Amount of registered capital (RMB)	Approximate percentage of interest in the associated corporation
Dr. Li	Beneficial interest	Shanghai MedSci	3,630,408	36.11%
	Interest of spouse	Shanghai MedSci	3,316,585[(1)]	32.99%
	Interest of spouse	Hefei Kang'en	990,000[(1)]	99.00%
Dr. Zhang	Beneficial interest	Shanghai MedSci	2,832,254	28.17%
	Interest in a controlled corporation	Shanghai MedSci	484,331[(2)]	4.82%
	Interest of spouse	Shanghai MedSci	3,630,408[(3)]	36.11%
	Beneficial interest	Hefei Kang'en	990,000	99.00%
Mr. Hu Xubo	Interest in a controlled corporation	Shanghai MedSci	1,319,668[(4)]	13.13%

Notes:

(1) As Dr. Zhang is the spouse of Dr. Li, Dr. Li is deemed to be interested in the registered capital of Shanghai MedSci MedTech Co., Ltd.* (上海梅斯醫藥科技有限公司) ("**Shanghai MedSci**") and Hefei Kang'en Information Technology Co., Ltd.* (合肥康恩信息技術有限公司) ("**Hefei Kang'en**") (Shanghai MedSci and Hefei Kang'en are our consolidated affiliate entities) held by Dr. Zhang by virtue of the SFO.

(2) Shihezi Meilong Equity Investment Partnership (Limited Partnership)* (石河子市梅隆股權投資合夥企業(有限合夥)) ("**Meilong Investment**"), which is held as to approximately 44.67% by Dr. Zhang as at 30 June 2023, holds RMB484,331 registered capital of Shanghai MedSci, in which Dr. Zhang is deemed to be interested by virtue of the SFO.

(3) As Dr. Li is the spouse of Dr. Zhang, Dr. Zhang is deemed to be interested in the registered capital of Shanghai MedSci held by Dr. Li by virtue of the SFO, being RMB3,630,408.

(4) Qiming Ronghe holds RMB1,077,315 registered capital of Shanghai MedSci, and its general partner is Suzhou Qicheng. Suzhou Qicheng's general partner is Shanghai Qichang, which is held as to 50% by Mr. Hu Xubo. Therefore, Mr. Hu Xubo is deemed to be interested in the registered capital of Shanghai MedSci held by Qiming Ronghe by virtue of the SFO.

Suzhou Qisi holds RMB242,353 registered capital of Shanghai MedSci, and its general partner is Beijing Qiyao. Beijing Qiyao's general partner is Suzhou Qiman, which is held as to 50% by Mr. Hu Xubo. Therefore, Mr. Hu Xubo is deemed to be interested in the registered capital of Shanghai MedSci held by Suzhou Qisi by virtue of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, as at 30 June 2023, to the knowledge of the Board, none of the Directors, the Supervisors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors, the Supervisors and chief executive of the Company were taken or deemed to have under such provisions of the SFO); (ii) recorded in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Equity Incentive plan

On 20 April 2022, the Company adopted an equity incentive plan ("**Equity Incentive Plan**"), the terms of the Equity Incentive Plan are not subject to the provisions of Chapter 17 of the Listing Rules as they do not involve the grant of options by the Company after its Listing Date and all shares underlying these awards had been issued. All grants of award shares of the Company have been completed before its Listing Date.

Purposes of the Equity Incentive Plan

The purpose of the Equity Incentive Plan is to attract and retain talents to facilitate our long-term development.

Eligibility

The directors (excluding independent non-executive directors), senior management and employees of the Group, whom the Board consider as appropriate (the "**Participants**") shall be eligible to participant the Equity Incentive Plan.

Administration of the Equity Incentive Plan

The Equity Incentive Plan shall be subject to the administration of the Board in accordance with the plan rules thereof. The Board may amend, suspend or terminate the Equity Incentive Plan. The decision of the Board with respect to any matter arising under the Equity Incentive Plan (including the interpretation of any provision) shall be final and binding.

Grant of Awards and Voting Rights

Ma Yanqin (馬艷芹) is the sole director of Meilong Limited. Thus, in effect, all management powers over Meilong Limited and voting rights held by Meilong Limited in the Company reside with Ma Yanqin. Wu Zhihua (吳志華) is the sole director of Meiyue Limited. Thus, in effect, all management powers over Meiyue Limited and voting rights held by Meiyue Limited in the Company reside with Wu Zhihua.

All grants under the Equity Incentive Plan were completed. All Participants do not have any voting rights in our Company. The Participants will be granted awards in the form of economic interest in the Employee Equity Incentive Platforms conditional upon certain vesting conditions as specified in the Equity Incentive Plan.

MANAGEMENT DISCUSSION AND ANALYSIS

Restriction on Disposal

The economic interests shall be realized through disposal of the awarded Shares by the relevant employee equity incentive platforms, the economic interest of no more than 20% of the Shares underlying the award to a Participant could be realized per year.

Details of the Awards under the Equity Incentive Plan

As at 30 June 2023, 41,848,900 Shares had been issued to Meiyue Limited and 24,216,550 Shares had been issued to Meilong Limited, with interest attributable to certain Directors and employees of our Group through their respective employee equity incentive platforms, representing approximately 10.88% of the issued share capital of our Company. The Participants made capital contributions to and hence hold economic interests in the employee equity incentive platforms, which in turn hold economic interests in the Company. Hence, the Participants hold indirect economic interests in the Shares issued and awarded under the Equity Incentive Plan.

The following table sets out the number of underlying shares corresponding to the interests in the relevant employee equity incentive platforms.

Name of Participants	Position held within our Group	Relevant employee incentive platform	Approximate percentage of interest in the relevant Employee Equity Incentive Platform
Directors			
Dr. Zhang	Executive Director and chairman of the Board	Meiyue Limited Meilong Limited	12.69% 44.67%[(1)]
Mr. Wang Shuai (王帥)	Executive Director and vice president	Meiyue Limited	14.95%
Other Participants, who are not our directors, chief executive, or connected person	—	Meiyue Limited Meilong Limited	72.36% 55.33%

Note:

(1) This included approximately 2.58% interests in Meilong Limited held by Dr. Zhang through Dtx Health Limited as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Interests and Short Positions of Substantial Shareholders in the Shares and Underlying Shares of the Company

As at 30 June 2023, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons/entities have interests and/or short positions in our Shares or our underlying Shares which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or are directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name of Substantial Shareholder	Capacity/Nature of interest	Number of Shares/ Underlying Shares as at 30 June 2023[(1)]	Approximate percentage of shareholding in the Company as at 30 June 2023
Microhealth Limited	Beneficial interest	177,929,750(L)[(2)]	29.30%
Dtx Health Limited	Beneficial interest	141,612,700(L)[(3)]	23.32%
Ms. Yu Jia (于佳)	Interest in a controlled corporation	65,983,400(L)[(4)]	10.87%
Dragon Step Ventures Limited	Beneficial interest	53,865,750(L)[(4)]	8.87%
Meiyue Limited	Beneficial interest	41,848,900(L)[(5)]	6.89%
Tencent Holdings Limited	Interest in a controlled corporation	37,700,750(L)[(6)]	6.21%
Image Frame Investment (HK) Limited	Beneficial interest	37,700,750(L)[(6)]	6.21%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Microhealth Limited is wholly owned by Dr. Li.

(3) Dtx Health Limited is wholly owned by Dr. Zhang.

(4) Dragon Step Ventures Limited is 100% held by Qiming Ronghe. Qiming Ronghe is controlled by Suzhou Qicheng, which is in turn controlled by Shanghai Qichang, a company held as to 50% and 50% by Mr. Hu Xubo and Ms. Yu Jia, respectively. Gleaming Global Investments Limited is 100% held by Suzhou Qisi. Suzhou Qisi is controlled by Beijing Qiyao, which is in turn controlled by Suzhou Qiman, a company held as to 50% and 50% by Mr. Hu Xubo and Ms. Yu Jia, respectively. Therefore, Mr. Hu Xubo and Ms. Yu Jia are deemed to be interested in the Shares held by Dragon Step Ventures Limited and Gleaming Global Investments Limited by virtue of the SFO.

(5) Meiyue Limited is one of our employee equity incentive platforms and beneficially held 41,848,900 Shares. Each of the shareholders of Meiyue Limited, being an employee of the Group, held less than 20% equity interests in Meiyue Limited.

(6) Image Frame Investment (HK) Limited is ultimately controlled by Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700), and beneficially held 37,700,750 Shares. By virtue of the SFO, Tencent Holdings Limited is deemed to be interested in the Shares held by Image Frame Investment (HK) Limited.

Save as disclosed above, as at 30 June 2023, the Directors were not aware of any other persons/entities (other than the Directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

Directors' Rights to Acquire Shares or Debentures

During the six months ended 30 June 2023, the Company did not grant any rights to any Directors, chief executive or their respective spouse or children under the age of 18 to acquire beneficial interests by means of the acquisition of Shares in, or debentures of, the Company, and none of the above persons have exercised the said rights during the Period. The Company, its holding company or any of its subsidiaries were not a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.

Material Events after the Reporting Period

Save as disclosed in this report, there were no other significant events occurred subsequent to 30 June 2023 and up to the date of this report.

Audit Committee

The audit committee of the Board (the "**Audit Committee**") comprises three independent non-executive Directors, namely Ms. Liu Tao, Mr. Yu Mingyang and Mr. Lau Yiu Kwan Stanley. The chairwoman of the Audit Committee is Ms. Liu Tao.

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 with the management of the Company. The Audit Committee considered that the unaudited consolidated interim results of the Group for the six months ended 30 June 2023 are in compliance with the applicable accounting standards, laws and regulations. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and issues in relation to internal control, risk management and financial reporting with the management of the Company.

Material Litigation

The Company was not involved in any material litigation or arbitration for the six months ended 30 June 2023. The Directors are also not aware of any material litigation or claims that were pending or threatened against the Group for the six months ended 30 June 2023.

By Order of the Board
Dr. Zhang Fabao
Chairman of the Board and Executive Director
MedSci Healthcare Holdings Limited
梅斯健康控股有限公司

25 August 2023

* *For identification purpose only*

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

	Notes	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
REVENUE	5	**151,400**	135,287
Cost of sales		**(63,070)**	(53,687)
GROSS PROFIT		**88,330**	81,600
Other income and gains		**13,158**	8,753
Selling and distribution expenses		**(49,725)**	(47,549)
Administrative expenses		**(31,773)**	(44,872)
Research and development expenses		**(19,144)**	(10,414)
Impairment losses on financial and contract assets		**(572)**	(3,302)
Fair value gains/(losses) on convertible redeemable preferred shares		**12,785**	(91,380)
Other expenses		**(18)**	(127)
Finance costs		**(153)**	(154)
PROFIT/(LOSS) BEFORE TAX	6	**12,888**	(107,445)
Income tax (expense)/credit	7	**(968)**	247
PROFIT/(LOSS) FOR THE PERIOD		**11,920**	(107,198)
Attributable to:			
Owners of the parent		**11,920**	(107,198)
		RMB (Unaudited)	RMB (Unaudited)
EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		**0.02**	(0.23)

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

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of the Company's financial information	**42,520**	(5,525)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**16**	92
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**42,536**	(5,433)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**54,456**	(112,631)
Attributable to owners of the parent	**54,456**	(112,631)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**16,915**	17,363
Right-of-use assets		**8,252**	10,229
Intangible assets		**1,827**	1,567
Deposits		**801**	1,196
Deferred tax assets		**1,384**	1,306
Total non-current assets		**29,179**	31,661
CURRENT ASSETS			
Trade receivables	11	**29,786**	37,720
Contract assets		**71,592**	64,927
Due from a related party		**—**	250
Prepayments, deposits and other receivables		**11,381**	12,691
Financial assets at fair value through profit or loss		**389,047**	—
Cash and bank balances		**760,149**	599,266
Total current assets		**1,261,955**	714,854
CURRENT LIABILITIES			
Trade payables	12	**1,140**	1,967
Other payables and accruals		**153,336**	154,148
Lease liabilities		**5,231**	5,526
Tax payable		**—**	2,163
Total current liabilities		**159,707**	163,804
NET CURRENT ASSETS		**1,102,248**	551,050
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,131,427**	582,711

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Convertible redeemable preferred shares		**–**	720,907
Lease liabilities		**2,345**	4,068
Total non-current liabilities		**2,345**	724,975
NET ASSETS/(LIABILITIES)		**1,129,082**	(142,264)
EQUITY			
Equity attributable to owners of the parent			
Share capital	13	**420**	5
Treasury shares		**(30)**	–*
Convertible preferred shares		**–**	53,417
Reserves		**1,128,692**	(195,686)
TOTAL EQUITY/(DEFICIENCY IN ASSETS)		**1,129,082**	(142,264)

* Amount less than RMB1,000.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent										
	Issued capital RMB'000 (note 13)	Treasury shares RMB'000	Convertible preferred shares RMB'000	Share premium* RMB'000	Capital reserve* RMB'000	Merger reserve* RMB'000	Statutory surplus reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Share-based payment reserve* RMB'000 (note 14)	Accumulated losses* RMB'000	Total RMB'000
At 1 January 2023 (Audited)	**5**	**–****	**53,417**	**–**	**(1,993)**	**10,154**	**–**	**17,924**	**101,380**	**(323,151)**	**(142,264)**
Profit for the period	–	–	–	–	–	–	–	–	–	11,920	11,920
Other comprehensive income for the period:											
Exchange differences on translation of the Company's financial information	–	–	–	–	–	–	–	42,520	–	–	42,520
Exchange differences on translation of foreign operations	–	–	–	–	–	–	–	16	–	–	16
Total comprehensive income for the period	–	–	–	–	–	–	–	42,536	–	11,920	54,456
Transfer to surplus reserve	–	–	–	–	–	–	1,291	–	–	(1,291)	–
Net proceeds from issue of shares from initial public offering ("IPO")	46	–	–	535,834	–	–	–	–	–	–	535,880
Share issue expenses	–	–	–	(20,991)	–	–	–	–	–	–	(20,991)
Conversion of convertible preferred shares into ordinary shares upon IPO	1	–	(53,417)	53,416	–	–	–	–	–	–	–
Conversion of convertible redeemable preferred shares into ordinary shares upon IPO	1	–	–	698,811	–	–	–	–	–	–	698,812
Capitalization issue	367	(30)	–	(337)	–	–	–	–	–	–	–
Share-based payments	–	–	–	–	–	–	–	–	3,189	–	3,189
At 30 June 2023 (Unaudited)	**420**	**(30)**	**–**	**1,266,733**	**(1,993)**	**10,154**	**1,291**	**60,460**	**104,569**	**(312,522)**	**1,129,082**

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Issued capital RMB'000 note 13	Treasury shares RMB'000	Convertible preferred shares RMB'000	Capital reserve* RMB'000	Merger reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Share-based payment reserve* RMB'000 note 14	Accumulated losses* RMB'000	Total RMB'000
At 1 January 2022 (Audited)	5	—**	53,417	(1,993)	10,054	(541)	95,113	(223,270)	(67,215)
Loss for the period	—	—	—	—	—	—	—	(107,198)	(107,198)
Other comprehensive loss for the period:									
Exchange differences on translation of the Company's financial information	—	—	—	—	—	(5,525)	—	—	(5,525)
Exchange differences on translation of foreign operations	—	—	—	—	—	92	—	—	92
Total comprehensive loss for the period	—	—	—	—	—	(5,433)	—	(107,198)	(112,631)
Capital contribution from the then equity holders of a subsidiary	—	—	—	—	100	—	—	—	100
Share-based payments	—	—	—	—	—	—	3,372	—	3,372
At 30 June 2022 (Unaudited)	5	—**	53,417	(1,993)	10,154	(5,974)	98,485	(330,468)	(176,374)

* These reserve accounts comprise the consolidated other reserves of RMB1,128,692,000 (31 December 2022: RMB(195,686,000)) in the unaudited interim consolidated statement of financial position as at 30 June 2023.

** Amount less than RMB1,000.

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

		For the six months ended 30 June	
	Notes	**2023** **RMB'000** **(Unaudited)**	2022 RMB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**12,888**	(107,445)
Adjustments for:			
Interest income	6	**(6,012)**	(4,291)
Reversal of Impairment of trade receivable	6	**(320)**	(76)
Impairment of contract assets	6	**807**	3,356
Impairment of other receivables	6	**85**	22
Depreciation of property, plant and equipment	6	**618**	555
Depreciation of right-of-use assets	6	**3,262**	3,805
Amortisation of intangible assets	6	**112**	—
Loss on deregistration of a subsidiary	6	**—**	71
Fair value (gains)/losses on convertible redeemable preferred shares	6	**(12,785)**	91,380
Fair value gain on financial assets at fair value through profit or loss	6	**(1,119)**	—
Finance costs		**153**	154
Equity-settled share-based payments	6	**3,189**	3,372
		878	(9,097)
Decrease in trade receivables		**8,254**	886
Increase in contract assets		**(7,472)**	(12,906)
Increase in prepayments, deposits and other receivables		**(3,348)**	(18,309)
(Decrease)/increase in trade payables		**(827)**	178
(Decrease)/increase in other payables and accruals		**(812)**	1,190
Cash used in operations		**(3,327)**	(38,058)
Interest received		**6,012**	4,291
Income tax paid		**(3,209)**	(9,080)
Net cash flows used in operating activities		**(524)**	(42,847)

UNAUDITED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	For the six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment	10	**(170)**	(290)
Purchases of items of intangible assets		**(372)**	–
Repayment from a related party		**250**	–
Purchase of financial assets at fair value through profit or loss		**(375,872)**	–
Net cash flows used in investing activities		**(376,164)**	(290)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds on issue of shares from IPO		**519,857**	–
Lease payments (including related interests)		**(3,456)**	(4,447)
Capital contribution from the then equity holders of subsidiary		**–**	100
Net cash flows from/(used in) financing activities		**516,401**	(4,347)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**139,713**	(47,484)
Cash and cash equivalents at beginning of period		**599,266**	596,002
Effect of foreign exchange rate changes, net		**21,170**	19,172
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**760,149**	567,690
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**760,149**	567,690

NOTES TO THE CONSOLIDATED BALANCE SHEET

1. CORPORATE INFORMATION

MedSci Healthcare Holdings Limited (the "Company") is incorporated in the Cayman Islands on 22 June 2021 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. The principal place of business of the Group is located at Floor 3, Lane 425, Yishan Road, Xuhui District, Shanghai, China.

The Company is an investment holding company. During the period, the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are the provision of physician platform solutions, precision omni-channel marketing solutions, and real-world study solutions (collectively the "Listing Business") in the People's Republic of China (the "PRC").

The shares of the Company have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") effective from 27 April 2023.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 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 2022.

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 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

IFRS 17	*Insurance Contracts*
Amendments to IFRS 17	*Insurance Contracts*
Amendment to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 — Comparative Information*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*

NOTES TO THE CONSOLIDATED BALANCE SHEET

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES — *continued*

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information.

b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases and decommissioning obligations as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases and decommissioning obligations that occurred on or after 1 January 2022, if any.

   The amendments did not have any impact on the financial position or performance of the Group.

d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

NOTES TO THE CONSOLIDATED BALANCE SHEET

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of physician platform solutions, precision omni-channel marketing solutions and real-world study solutions in the PRC.

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

(a) Revenue from external customers

During the period, the Group operated within one geographical location because all of its revenues were generated in the PRC and all of its long-term assets/capital expenditures were located/incurred in the PRC. Accordingly, no geographical information is presented.

(b) Non-current assets

Almost all of the Group's non-current assets as at the end of each reporting period were located in Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

No revenue from the provision of services to a single customer amounted to 10% or more of the total revenue of the Group during the period.

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**151,400**	135,287

Revenue from contracts with customers

(a) Disaggregated revenue information

For the six months ended 30 June 2023

	Physician platform solutions RMB'000 (Unaudited)	**Precision omni-channel marketing solutions RMB'000 (Unaudited)**	**Real-world study solutions RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Types of services				
Provision of services	**43,876**	**85,523**	**22,001**	**151,400**
Geographical market				
Mainland China	**43,876**	**85,523**	**22,001**	**151,400**
Timing of revenue recognition				
Over time	**43,876**	**85,523**	**22,001**	**151,400**
Total revenue from contracts with customers	**43,876**	**85,523**	**22,001**	**151,400**

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. REVENUE, OTHER INCOME AND GAINS — *continued*

Revenue from contracts with customers — *continued*

(a) Disaggregated revenue information — continued

For the six months ended 30 June 2022

	Physician platform solutions RMB'000 (Unaudited)	Precision omni-channel marketing solutions RMB'000 (Unaudited)	Real-world study solutions RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Types of services				
Provision of services	36,985	76,437	21,865	135,287
Geographical market				
Mainland China	36,985	76,437	21,865	135,287
Timing of revenue recognition				
Over time	36,985	76,437	21,865	135,287
Total revenue from contracts with customers	36,985	76,437	21,865	135,287

(b) Performance obligations

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

Physician platform solutions

The performance obligation is satisfied over time as services are rendered and payment in advance is normally required. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these types of contracts.

Precision omni-channel marketing solutions and real-world study solutions

The performance obligation is satisfied over time as services are rendered and payment is generally due within 30 to 180 days from the date of billing. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these types of contracts.

NOTES TO THE CONSOLIDATED BALANCE SHEET

6. PROFIT/(LOSS) BEFORE TAX

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

	Note	For the six months ended 30 June **2023** **RMB'000** **(Unaudited)**	 2022 RMB'000 (Unaudited)
Cost of services provided		**35,994**	28,332
Depreciation of property, plant and equipment	10	**618**	555
Depreciation of right-of-use assets		**3,262**	3,805
Amortisation of intangible assets		**112**	—
Research and development expenses*		**19,144**	10,414
Impairment/(reversal of impairment) of financial assets, net:			
— Trade receivables		**(320)**	(76)
— Contract assets		**807**	3,356
— Other receivables		**85**	22
Lease payment not included in the measurement of lease liabilities		**—**	40
Bank interest income		**6,012**	4,291
Tax incentives		**227**	147
Fair value (gains)/losses on convertible redeemable preferred shares		**(12,785)**	91,380
Fair value gain on financial assets at fair value through profit or loss		**1,119**	—
Loss on deregistration of a subsidiary		**—**	71
Listing fee		**13,078**	26,393
Employee benefit expenses (including directors' and chief executive's remuneration):			
Salaries, bonuses and other allowances		**67,610**	66,069
Pension scheme contributions and social welfare		**17,260**	16,967
Equity-settled share-based payments		**3,189**	3,372
		88,059	86,408

* The amounts disclosed for research and development expenses included direct employee costs and overhead costs (e.g., depreciation of the related equipment) and represent current period's expenditures.

NOTES TO THE CONSOLIDATED BALANCE SHEET

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and the Group's subsidiary incorporated in the British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong and the United States were not liable for income tax as the subsidiary in Hong Kong did not have any assessable profits arising in Hong Kong and the subsidiary in the United States has tax losses during the periods.

The provision for current income tax in Mainland China 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, except for Shanghai MedSci, a subsidiary of the Group. Shanghai MedSci applied for the "High and New Technology Enterprise" qualification and obtained the certificate in 2020. The "High and New Technology Enterprise" qualification is subject to review by the relevant tax authority in the PRC for every three years. Accordingly, Shanghai MedSci was subject to CIT at a rate of 15% for the six months ended 30 June 2023 and 2022. Certain of the Group's subsidiaries enjoy the preferential income tax treatment as Small and Micro Enterprises with a preferential income tax rate of 20% for the six months ended 30 June 2023 and 2022. In addition, for the annual taxable income amount below RMB1 million, the final taxable income will be reduced by 25% for 2023 and 12.5% for 2022. For the annual taxable income amount between RMB1 million and RMB3 million, the final taxable income will be reduced by 25% for 2023 and 2022.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the period. The major components of income tax expense/(credit) of the Group are as follows:

	For the six months ended 30 June	
	2023 **RMB'000** **(Unaudited)**	2022 RMB'000 (Unaudited)
Current — Mainland China:		
Overprovision in prior periods	**1,046**	—
Deferred tax	**(78)**	(247)
Total tax charge/(credit) for the period	**968**	(247)

8. DIVIDENDS

No dividend was paid or declared by the Company during the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

NOTES TO THE CONSOLIDATED BALANCE SHEET

9. EARNINGS/LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/loss per share amounts are based on the profit/loss attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 497,185,131 in issue during the period (six months ended 30 June 2022: 472,624,174), which represented the adjusted number of ordinary shares taking into consideration the share issuance and treasury shares and adjusted for the effect of the Capitalisation Issue (note 13).

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2023 and 2022 in respect of a dilution as the impact of the convertible redeemable preferred shares and the awarded interest/shares of the Company's/Shanghai MedSci's share incentive plan had an antidilutive effect on the basic earnings/(loss) per share amounts presented.

10. PROPERTY, PLANT AND EQUIPMENT

	30 June 2023 RMB'000 (Unaudited)
At 1 January 2023	**17,363**
Additions	**170**
Depreciation (note 6)	**(618)**
At 30 June 2023	**16,915**

11. TRADE RECEIVABLES

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

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	**29,112**	36,805
1 to 2 years	**649**	881
2 to 3 years	**25**	34
	29,786	37,720

NOTES TO THE CONSOLIDATED BALANCE SHEET

12. 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 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 3 months	**1,140**	1,967

13. SHARE CAPITAL

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
Number of ordinary shares		
Authorised:		
Ordinary shares of USD0.0001 each	**15,000,000,000**	388,000,000
Issued and fully paid:		
Ordinary shares of USD0.0001 each	**607,170,950**	7,988,403
Treasury shares held	**(66,065,450)**	(1,321,309)

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Authorised:		
Ordinary shares of USD0.0001 each	**10,361**	248
Issued and fully paid:		
Ordinary shares of USD0.0001 each	**420**	5
Treasury shares held	**(30)**	—*

* Amount less than RMB1,000.

NOTES TO THE CONSOLIDATED BALANCE SHEET

13. SHARE CAPITAL — *continued*

A summary of movements in the Group's issued capital during the period is as follows:

	Notes	Number of shares in issue	Share capital RMB'000	Treasury shares RMB'000	Convertible preferred shares RMB'000	Share premium RMB'000	Total RMB'000
At 31 December 2022 and 1 January 2023		7,988,403	5	—*	53,417	—	53,422
Conversion of convertible preferred shares to ordinary shares	(a)	1,077,315	1	—	(53,417)	53,416	—
Conversion of convertible redeemable preferred shares to ordinary shares	(b)	1,741,921	1	—	—	698,811	698,812
Capitalization Issue	(c)	529,574,311	367	(30)	—	(337)	—
Issue of shares from IPO	(d)	66,789,000	46	—	—	535,834	535,880
At 30 June 2023		607,170,950	420	(30)	—	1,287,724	1,288,114

(a) All convertible preferred shares were automatically converted into ordinary shares on a one for one basis upon the successful IPO of the Company on 27 April 2023. As a result, the equity instruments for convertible preferred shares were derecognised and recorded as share capital and share premium.

(b) All convertible redeemable preferred shares were automatically converted into ordinary shares on a one for one basis upon the successful IPO of the Company on 27 April 2023. As a result, the financial liabilities of convertible redeemable preferred shares were derecognised and recorded as share capital and share premium.

(c) Pursuant to the written resolution of the shareholders of the Company passed on 28 March 2023, and subject to the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the Global Offering, a total of 529,574,311 shares credited as fully paid at par were allotted and issued on 27 April 2023 ("the Listing Date") to the holders of shares whose names appear on the register of members of the Company on the day preceding the Listing Date in proportion to their then existing shareholdings in the Company (on the basis that each Preferred Share was converted into one share) by capitalising the relevant sum from the share premium account of the Company. The shares allotted and issued pursuant to the above Capitalisation Issue will rank pari passu in all respects with the existing issued shares.

(d) In connection with the Company's IPO on 27 April 2023, 66,789,000 ordinary shares were issued and allotted at an offer price of HKD9.10 per share for a total gross cash consideration of HKD607,780,000 (equivalent to RMB535,880,000).

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. SHARE-BASED PAYMENTS

The Company operates a share award scheme (the "Scheme") for certain personnel in order to recognise and reward the contribution of certain employees of the Group ("Share Incentive Participants") to the growth and development of the Group, and retain eligible employees for the continuous operation and development of the Group.

The 2021 Plan

A share incentive plan of Shanghai MedSci (the "2021 Plan") became effective in January 2021. Under the 2021 Plan, Shihezi Meilong Equity Investment Partnership (Limited Partnership) ("Meilong Investment") and Shanghai Meiyue Management Consulting Partnership (Limited Partnership) ("Shanghai Meiyue"), the legal shareholders of Shanghai MedSci, granted certain limited partners' equity interests of Meilong Investment and Shanghai Meiyue ("Award Interests") to certain employees of the PRC Operating Entities. As part of the Reorganisation of the Group, the New Plan (see definition below) was adopted to replace the 2021 Plan.

The New Plan

A new share incentive plan (the "New Plan") became effective on 20 April 2022 when the Board and the shareholders of the Company approved the New Plan, which has replaced the 2021 Plan. The Award Interests granted under the 2021 Plan were replaced and superseded by the ordinary shares of Meilong Limited and Meiyue Limited, respectively (the "Award Shares"). The vesting schedule and other key terms of the New Plan are the same as those of the 2021 Plan. On 24 September 2021, Meiyue Limited and Meilong Limited hold 836,978 shares and 484,331 ordinary shares of the Company, respectively. With the effect of the Capitalization Issue (note 13), 64,744,141 shares were allocated and issued and held by Meiyue Limited and Meilong Limited. Since 27 April 2023, Meiyue Limited and Meilong Limited hold 41,848,900 shares and 24,216,550 ordinary shares of the Company, respectively.

Award Interests

In January 2021, 9.1571% equity interests of Meilong Investment were granted to 19 selected employees for a total consideration of RMB566,000, and 19.90% equity interests of Shanghai Meiyue were granted to 13 selected employees for a total consideration of RMB2,122,000 under the 2021 Plan. These thirty-two employees are collectively referred to as "Share Incentive Participants".

All of the Award Interests (and the subsequent Award Shares) granted to the Share Incentive Participants shall be subject to both a listing-based vesting condition (the "IPO Condition") and a service-based vesting condition (the "Service Condition"). The IPO Condition would be satisfied when the ordinary shares of the Company are successfully listed on a recognised stock exchange. Subject to the satisfaction of the IPO Condition, the Service Condition would be satisfied over a 5-year lockup periods, in which the Award Interests or Award Shares held by Share Incentive Participants shall be unlocked in the proportion up to 20% of the total number of the Award Interests/Shares granted upon the expiry of each of 5-year lockup periods provided that the IPO Condition is met. Under this Service Condition, the Share Incentive Participants are required to provide services to the Group during the 5-year period.

The fair value of the Award Interests granted during the year ended 31 December 2021 was determined at RMB37,297,000, and the Group recognised share-based payment expenses of RMB3,189,000 in profit or loss for the six months ended 30 June 2023 (six months ended 30 June 2022: RMB3,372,000).

NOTES TO THE CONSOLIDATED BALANCE SHEET

14. SHARE-BASED PAYMENTS — *continued*

Award Interests — *continued*

The fair value of the Award Interests granted is measured using a discounted cash flow model at the grant date. The key assumptions used in the model included the discount rate, terminal growth rate and discounts for lack of marketability ("DLOM") and are determined by the directors of the Company with best estimate as follows:

	Granted on 1 January 2021
Discount rate	14%
Terminal growth rate	3%
DLOM	8%

15. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	**Relationship with the Group**
Shanghai Meiyue	A legal shareholder of the Company (holding 6.89% shares)

(b) Outstanding balance with a related party

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Due from a related party		
Non-trade related		
Shanghai Meiyue	–	250

The amount due from a related party was unsecured, interest-free and repayable on demand.

The Group has assessed the recoverability and ageing of the amounts due from a related party, as well as other quantitative and qualitative information and on management's judgment and assessment of the forward-looking information. The Group assessed that the expected credit loss is immaterial.

NOTES TO THE CONSOLIDATED BALANCE SHEET

15. RELATED PARTY TRANSACTIONS — *continued*

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	**3,463**	3,040
Pension scheme contributions	**235**	206
	3,698	3,246

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial assets				
Financial assets at fair value through profit or loss	**389,047**	–	**389,047**	–
Financial liabilities				
Convertible redeemable preferred shares	**–**	720,907	**–**	720,907

Management has assessed that the fair values of trade receivables, due from a related party, financial assets included in prepayments, deposits and other receivables, cash and bank balances, financial assets at fair value through profit or loss, trade payables and financial liabilities included in other payables and accruals, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the board of directors of the Company. At the end of each of the reporting periods, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation.

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in wealth management products issued by segregated portfolio companies in Cayman Islands. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the expected interest rate per annum of instruments with similar terms and risks.

The fair value of the convertible redeemable preferred shares was determined using the valuation techniques, including the discounted cash flow method and the option-pricing method. Such valuation is based on key parameters about discounts for lack of marketability and volatility. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all required significant inputs to fair value of an instrument are observable, the instruments are included in Level 2. If one or more of the significant inputs are not based on observable market data, the instruments are included in Level 3.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 30 June 2023 and 31 December 2022:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
30 June 2023				
Wealth management products	Discounted cash flow model	Yield rate (floating)	1.6% to 4.5%	The higher yield rate, the higher fair value
31 December 2022				
Convertible redeemable preferred shares	Option-pricing method	Risk-free interest rate	2.9% to 3.5%	The higher risk-free interest, the lower fair value
		Volatility	65.0% to 75.0%	The higher volatility, the lower fair value
		DLOM	9.1% to 23.0%	The higher DLOM, the lower fair value

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Unaudited)	**Significant observable inputs (Level 2) RMB'000 (Unaudited)**	**Significant unobservable inputs (Level 3) RMB'000 (Unaudited)**	**Total RMB'000 (Unaudited)**
Financial assets at fair value through profit or loss	**—**	**—**	**389,047**	**389,047**

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Audited)	Significant observable inputs (Level 2) RMB'000 (Audited)	Significant unobservable inputs (Level 3) RMB'000 (Audited)	Total RMB'000 (Audited)
Convertible redeemable preferred shares	—	—	720,907	720,907

NOTES TO THE CONSOLIDATED BALANCE SHEET

16. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS — *continued*

Fair value hierarchy — *continued*

The movements in fair value measurements within Level 3 during the period are as follows:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Financial assets at fair value through profit or loss		
At 1 January	**—**	—
Purchases	**375,872**	—
Fair value gains recognised in profit or loss	**1,119**	—
Exchange differences	**12,056**	
At 30 June	**389,047**	—
Convertible redeemable preferred shares		
At 1 January	**720,907**	603,067
Conversion to ordinary shares	**(698,812)**	—
Conversion from ordinary shares	**—**	—*
Fair value (gains)/losses recognised in profit or loss	**(12,785)**	91,380
Exchange differences	**(9,310)**	24,605
At 30 June	**—**	719,052

* Amount less than RMB1,000.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities. (six months ended 30 June 2022: Nil).

17. APPROVAL OF THE INTERIM FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the Board of Directors on 25 August 2023.