

平安健康醫療科技有限公司

PING AN HEALTHCARE AND TECHNOLOGY
COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

2018 Annual Report

Stock Code: 1833



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Shareholders, who have chosen or are deemed to have consented to receive the Corporate Communications by electronic means through the Company's website, if have difficulty in receiving or gaining access to the Annual Report on the Company's website will upon request be sent the Annual Report in printed form free of charge.

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Corporate Information

Directors

Executive Director

Mr. WANG Tao (Chairman)

Non-executive Directors

Mr. LEE Yuan Siong

Mr. YAO Jason Bo

Ms. CAI Fangfang

Mr. DOU Wenwei

Ms. WANG Wenjun

Mr. LAW Siu Wah Eddie

Independent Non-executive Directors

Mr. TANG Yunwei

Mr. GUO Tianyong

Mr. LIU Xin

Dr. CHOW Wing Kin Anthony

Audit and Risk Management Committee

Mr. TANG Yunwei (Chairman)

Mr. GUO Tianyong

Mr. LIU Xin

Mr. YAO Jason Bo

Mr. LAW Siu Wah Eddie

Nomination and Remuneration Committee

Mr. GUO Tianyong (Chairman)

Mr. TANG Yunwei

Dr. CHOW Wing Kin Anthony

Mr. LIU Xin

Ms. CAI Fangfang

Mr. YAO Jason Bo

Mr. LAW Siu Wah Eddie

Joint Company Secretaries

Ms. LIN Yuan

Ms. CHEN Chun

Authorised Representatives

Mr. WANG Tao

Ms. CHEN Chun

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

Registered Office

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Cayman Islands

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PRC

Principal Place of Business in Hong Kong

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No. 248 Queen's Road East
Wanchai
Hong Kong

Legal Advisors

As to Hong Kong and U.S. laws:

Clifford Chance
27/F, Jardine House
One Connaught Place
Central
Hong Kong

As to PRC law:

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No. 1515 Nan Jing West Road
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PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

Compliance Advisor

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Hong Kong

Principal Share Registrar and Transfer Office

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Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
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Hopewell Centre
183 Queen's Road East
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Principal Banks

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

Stock Code

1833

Company's Website

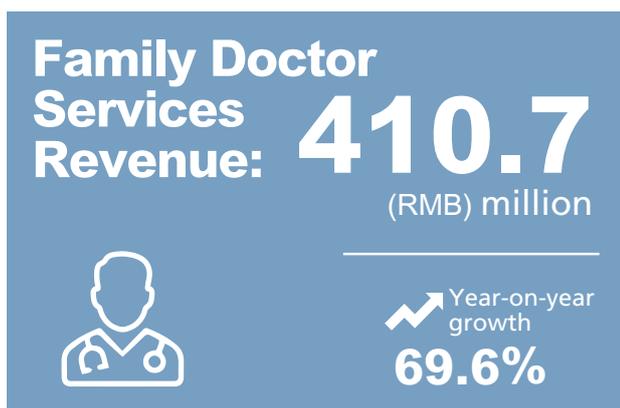
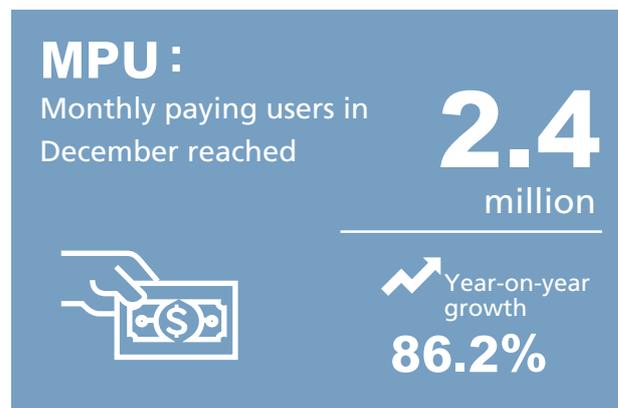
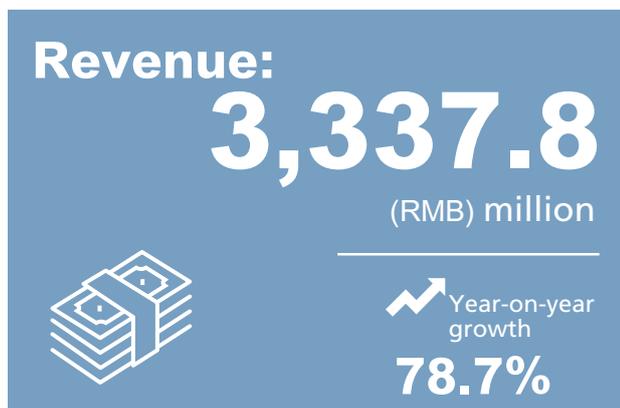
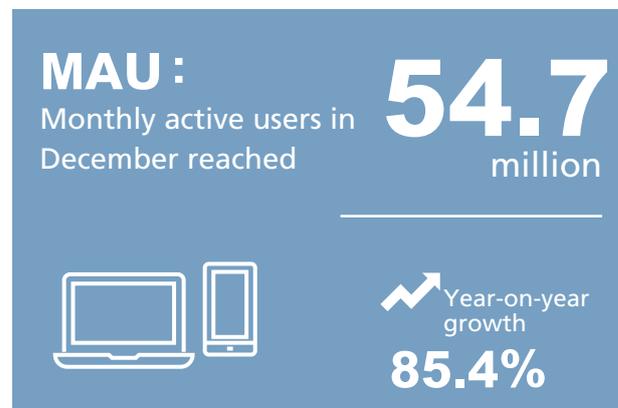
www.pahtg.com

Listing Date

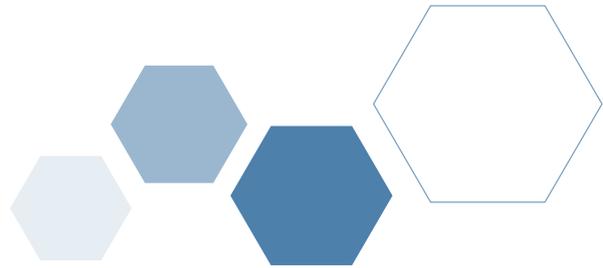
4 May 2018

Key Financial and Operational Data

(Highlights in 2018)



Chairman's Statement



WANG TAO

Chairman

The year 2018 marked the 40th anniversary of China's reform and opening-up, with the state continuing to deepen and promote the development of new economic models including "Internet + Healthcare". This year was also a crucial period for the normative development of the "Internet + Healthcare" model in China as the government adopted a number of supportive policies and regulations including *Opinions of the General Office of the State Council on Promoting the Development of "Internet + Healthcare"*, *Administrative Measures for Internet-based Consultations (for Trial Implementation)* and *National Administrative Measures for Health Data Standards, Security and Services (for Trial Implementation)*. These policies and regulations are intended to standardize industry practice and to lay a solid foundation for rapid and sustainable development. As an industry leader, we delivered strong growth by capitalizing on the Healthy China strategy and regulatory environment, and strengthening management. We believe the Company will continue to benefit from the "Internet + Healthcare" boom by providing excellent family doctor and health management services.

We will adhere to our mission that is to "build the largest healthcare ecosystem in the world and promote healthy living empowered by technology". We have built a one-stop healthcare platform by integrating online and offline resources to meet users' demand. During the Reporting Period, our revenue rose by 78.7% year-on-year to RMB3,337.8 million. Our net loss decreased by 8.8% year-on-year to RMB913.1 million. Driven by improved efficiency of our AI-assisted medical system, deepened collaboration with commercial insurers and expanded user base, the family doctor service business-our core business-reported a strong year-on-year revenue growth of 69.6%. As of 31 December 2018, we had 265.2 million registered users, an increase of 72.4 million compared with the end of 2017. Monthly active users and monthly paying users in December 2018 grew by 85.4% and 86.2% over the same period of 2017 to 54.7 million and 2.4 million respectively. The annual average conversion rate of paying users increased from 2.7% to 3.6%. Such a strong growth provides evidence that the one-stop healthcare platform we have built is gradually changing people's healthcare behavior.

Chairman's Statement

We recruit highly-skilled and experienced medical professionals from offline medical institutions to join our in-house medical team and provide our users with 24x7 (24 hours per day, 7 days per week) consultation and high quality customized member services. The practicing doctors in our in-house medical team had an average of 14 years of practicing experience. By combining our propriety AI technology with our in-house medical team, we provide easy access to primary medical and healthcare services, thereby improving efficiency and lowering medical expenditure of the entire healthcare system. Collaboration with commercial insurance and the membership model are strategic directions for monetizing our family doctor services and we foresee both to be the key drivers of revenue growth for this segment. As social health insurance, being an important payer of medical services, is actively exploring the appropriate way forward for the "Internet + Healthcare" model, we have already established collaboration with commercial insurers. We work with Ping An Group to provide insurance customers with comprehensive closed loop healthcare member services covering prevention, treatment and rehabilitation. We help insurers strengthen risk management, differentiate their insurance products, optimize customer experience and maximize end-user value. During the Reporting Period, our membership products co-developed with commercial insurers served more than one million members and in aggregate contributed over RMB200 million to our revenue. Our future is exciting given the remarkable achievements we have made. With experience gained from existing products and the evolving ecosystem, we continue to seek further improvements in our membership model and collaboration with insurers.

By combining our AI-assisted in-house medical team, external doctors and offline healthcare service network, we have created a closed loop, online/offline healthcare service experience. As of 31 December 2018, we had a strong in-house medical team of 1,196 staff members and 5,203 contracted external doctors (associated chief physicians or above at Grade III 3A hospitals), while our 1-hour drug delivery network covered 86 cities across China. At the same time, our healthcare provider network covered nearly 400 traditional Chinese medicine clinics, over 1,300 check-up centers, over 1,200 dental clinics and over 120 medical beauty clinics. With our user proposition becoming increasingly sophisticated, users can now easily access our one-stop, end-to-end services including 24x7 online consultation, referral, registration, hospitalization arrangement, second medical opinion, and 1-hour drug delivery. As of 31 December 2018, average daily online consultations increased by 45.4% year-on-year to 535,000 and user satisfaction with online consultations reached 98%.

Our propriety AI-based consultation system has accumulated nearly 410 million records. We continue to invest in deep learning technology, Natural Language Processing ("NLP"), knowledge graph and big data supercomputing platform. Achieving a coverage of over 3,000 diseases, our AI-based consultation system was applied across all departments of our in-house medical team as of 31 December 2018 and is currently used by over 100 offline hospitals. By being able to provide smart triage, smart diagnosis and smart prescription services for patients, this system also helps hospitals automate medical information and standardize medical procedures to improve their efficiency.

While pursuing domestic expansion, we are sharing resources and seeking synergies with leading companies at home and abroad. In August 2018, we established a joint venture with Grab Holdings Inc. ("Grab") to scale our healthcare expertise and AI technology into Southeast Asia. Our servicing and AI capabilities will be further enhanced by our overseas experience. We acquired Wanjia Healthcare in October 2018 to develop our offline network, strengthen the closed loop, online/offline healthcare services, and provide integrated services. In 2018, we also played an active role in the Village Doctor Program, a corporate social responsibility program working with local governments to improve rural healthcare through our expertise in online health management.

On 4 May 2018, the Company was successfully listed on the Main Board of the Stock Exchange, becoming the first and to-date only internet healthcare stock in China. We have been recognised as a disruptor of traditional healthcare models in the new economy.

The year 2019 marks the Company's fifth anniversary. We have built a world-leading online healthcare platform from the very beginning, providing efficient, excellent and convenient services for nearly 300 million people. As a listed company, we now have more resources and opportunities accompanied by more challenges and responsibilities. According to the annual economic data released by the National Bureau of Statistics, China's per capita healthcare spending grew by 16.1% in 2018, much faster than the growth in per capita total spending of 8.4%. With growing affluence, people's attention to and spending on medical and healthcare services will continue to increase, thereby putting further pressure on existing infrastructure. We believe the "Internet + Healthcare" model is strategically positioned to meet this fundamental shift in consumer demand in China. To this end, we will continue to provide users with quality medical and healthcare services with the combination of Internet, AI and our one-stop, online/offline healthcare platform, and build Ping An Good Doctor into a globally influential internet healthcare platform.

Last but not least, on behalf of the Board, I would like to thank our Shareholders, partners, customers and staff for their unwavering support. We are committed to "providing a family doctor for every family, creating an e-health profile for everyone, setting up a health management plan for everyone". By doing so, we deliver quality services to users, create sustainable value for Shareholders and contribute to the "Healthy China" strategy

Wang Tao

Chairman

Hong Kong, 27 February 2019

Management Discussion and Analysis

Key Financial Data

	Year ended 31 December		Year-on-year change
	2018	2017	
	RMB'000	RMB'000	
Revenue	3,337,849	1,868,021	78.7%
Cost of sales	(2,425,911)	(1,255,951)	93.2%
Gross profit	911,938	612,070	49.0%
Selling and marketing expenses	(1,238,451)	(723,556)	71.2%
Administrative expenses	(994,706)	(710,665)	40.0%
Other income	28,227	24,936	13.2%
Other gains/(losses) – net	183,493	(199,210)	Not applicable
Operating loss	(1,109,499)	(996,425)	11.3%
Finance income/(costs) – net	201,910	(164)	Not applicable
Share of losses of associates and joint ventures	(4,288)	(4,646)	-7.7%
Loss before income tax	(911,877)	(1,001,235)	-8.9%
Income tax expense	(1,178)	(408)	188.7%
Loss for the year	(913,055)	(1,001,643)	-8.8%
Loss attributable to:			
– Owners of the Company	(911,662)	(1,001,643)	-9.0%
– Non-controlling interests	(1,393)	–	Not applicable
Non-IFRS measure:			
Adjusted net loss	(924,142)	(740,157)	24.9%

For the year 2018, total revenue of the Company amounted to RMB3,337.8 million, representing an increase of 78.7% from total revenue of RMB1,868.0 million recorded in 2017. Revenue growth was seen across all business segments. Gross profit recorded in 2018 was RMB911.9 million, representing an increase of 49.0% from RMB612.1 million recorded in 2017. Selling and marketing expenses represented 37.1% of total revenue for the year, down from 38.7% in 2017, while administrative expenses represented 29.8% of total revenue for the year, also down from 38.0% in 2017. A net loss of RMB913.1 million was recorded in 2018, representing a decrease of 8.8% from the net loss of RMB1,001.6 million recorded in 2017.

Key Operational Data

	31 December 2018	31 December 2017	Year-on-year change
Number of registered users (in millions)	265.2	192.8	37.6%
Number of medical personnel in the in-house medical team	1,196	888	34.7%
Number of renowned external doctors*	5,203	2,139	143.2%
Accumulative consultation records (in millions)	407.1	211.8	92.2%

	Year ended 31 December		Year-on-year change
	2018	2017	
Family Doctor Services Revenue (RMB in thousands)	410,729	242,163	69.6%
Average Daily consultations (in thousands)	535	368	45.4%

	In the month of December		Year-on-year change
	2018	2017	
MAU (in millions)	54.7	29.5	85.4%
MPU (in thousands)	2,357	1,266	86.2%

* All the renowned external doctors are associated chief physicians or senior medical professionals at Grade III 3A hospitals.

Analysis on Principal Business Operations

The year 2018 was a crucial year for the new “Internet + Healthcare” model in China and also a remarkable year for the Group. New policies, including *Opinions of the General Office of the State Council on Promoting the Development of Internet + Healthcare*, *Administrative Measures for Internet-based Consultations (for Trial Implementation)* and other regulations were issued during the year as the government took steps to more effectively regulate the “Internet + Healthcare” model and encourage sustainable development of the “Healthy China” strategy. At the end of 2017, we completed the pre-IPO round of financing from SoftBank Vision Fund. On 4 May 2018, we successfully listed on the Main Board of the Stock Exchange of Hong Kong Limited, becoming the first and to-date only Internet healthcare stock in China. This was the first time capital markets recognised the significant potential of an internet healthcare company, as well as our vision of improving healthcare services and reducing social costs through empowerment by internet and AI technology. Our efforts in business model innovation, core technology development and new product promotion ensured our rapid, sustainable growth during the year. Going forward, we will further leverage on our competitive advantages in operations and technologies to provide one-stop, end-to-end healthcare services and build the world’s largest healthcare ecosystem.

Management Discussion and Analysis

Revenue increased rapidly as net loss narrowed

In 2018, all business segments of the Group recorded rapid growth. During the Reporting Period, total revenue grew by 78.7% year-on-year to RMB3,337.8 million. In particular, revenue from family doctor services of the Group increased by 69.6% year-on-year to RMB410.7 million in 2018. Total gross profit increased by 49.0% year-on-year to RMB911.9 million. Operating expenses (including selling and marketing expenses and administrative expenses) accounted for 66.9% of total revenue, about 9.8 percentage points lower than 2017. Net loss decreased by 8.8% year-on-year to RMB913.1 million.

User base growing in size and quality

We provide 24x7, quality online consultation services through our AI-assisted in-house medical team. With positive user experience, we are able to generate user stickiness to improve our healthcare ecosystem. As of 31 December 2018, we had 265.2 million registered users, representing an increase of 72.4 million from the end of 2017. As a pioneer and leader in the industry, we are gradually changing users' behavior in seeking medical and health management services. Monthly active users and monthly paying users in December 2018 grew by 85.4% and 86.2% year-on-year respectively to 54.7 million and 2.4 million respectively. The annual average conversion rate of paying users increased from 2.7% to 3.6%.

Enhanced AI capability lifting industry proficiency

By focusing on research and development of our proprietary AI technology, we have significantly enhanced users' medical and healthcare experience both online and offline. We have made significant progress in the research, development and application of AI on the basis of deep learning technology, NLP, knowledge graph, and big data supercomputing platform. As of the end of 2018, we have accumulated nearly 410 million records on our AI database, benefiting from which we continue to optimize our AI-assisted medical system. Our AI technology is currently applied across all departments of our in-house medical team and is used by over 100 hospitals in China.

Innovative membership products deepening collaboration with insurance

China's aging population is putting pressure on its medical and healthcare expenditures with growing demand on the diverse nature and superior quality of service delivery. Insurance providers, as the most important payer in the healthcare system, are critical partners in the monetization of our family doctor services. In 2018, we launched an innovative annual fee-based membership product by capitation model, providing closed loop healthcare member services ranging from prevention, treatment to rehabilitation. Our product proposition helps insurance companies widen the scope of insurance services, maximizing customer value, strengthen risk control and differentiate products. During the Reporting Period, commercial insurance membership products served more than one million users and contributed over RMB200 million to our revenue, laying a strong foundation for deeper strategic collaboration with insurers in future.

Revenue and Gross Profit by Segment

	Year ended 31 December		
	2018	2017	Year-on-year change
	RMB'000	RMB'000	
Revenue:	3,337,849	1,868,021	78.7%
Family doctor services	410,729	242,163	69.6%
Consumer healthcare	905,442	655,397	38.2%
Health mall	1,864,431	896,122	108.1%
Health management and wellness interaction	157,247	74,339	111.5%
Gross profit:	911,938	612,070	49.0%
Family doctor services	164,752	142,525	15.6%
Consumer healthcare	418,098	304,148	37.5%
Health mall	200,928	104,593	92.1%
Health management and wellness interaction	128,160	60,804	110.8%
Gross margin:	27.3%	32.8%	-5.5 percentage points
Family doctor services	40.1%	58.9%	-18.8 percentage points
Consumer healthcare	46.2%	46.4%	-0.2 percentage points
Health mall	10.8%	11.7%	-0.9 percentage points
Health management and wellness interaction	81.5%	81.8%	-0.3 percentage points

Family doctor services

With our AI-assisted in-house medical team and external doctors, we provide users with one-stop, end-to-end services including 24x7 online consultation, referral, registration, hospitalization arrangement, second medical opinion, and 1-hour drug delivery. As of the end of 2018, we had 1,196 in-house medical staff members and 5,203 contracted renowned external doctors (associated chief physicians or above at Grade III 3A hospitals), our hospital network comprised over 3,000 hospitals, of which over 1,200 were Grade III 3A hospitals, our pharmacy network covered over 15,000 offline partners pharmacy, while our 1-hour drug delivery network covered 86 cities across China, an increase of 72 cities from the end of 2017.

As of 31 December 2018, average daily online consultations grew by 45.4% year-on-year to 535,000. Since 2015, when we started providing online consultation services, we have accumulated nearly 410 million records in our database, covering user consultation, drug purchase and health management, and generated 35,000 disease labels. With our supercomputing platform, we optimized the AI-assisted consultation system with big data and advanced algorithms. Due to the improved performance of our AI-assisted system, we were able to attend to higher volume of consultations and our user satisfaction rate reached 98%. In addition, our AI technology is currently used by over 100 hospitals to improve their efficiency.

In 2018, we worked with Ping An Group to provide insurance customers with end-to-end member services covering prevention, treatment and rehabilitation. During the Reporting Period, revenue from our family doctor business amounted to RMB410.7 million, representing a year-on-year increase of 69.6%, largely attributable to the new product "Health 360" and provision of electronic prescription services. Our products which were co-developed with commercial insurance served more than one million users and contributed over RMB200 million to our revenue. Gross profit amounted to RMB164.8 million. Gross margin of the family doctor business was a healthy 40.1% despite a year-on-year decrease of 18.8 percentage points. In 2016, we entered into service-level agreements ("SLA") with Ping An Life Insurance to provide family doctor services through the plug-in of Ping An Jin Guan Jia in return for a fixed service fee. The purpose of the arrangement was to attract relevant and high quality users from Ping An Group to use our service. During 2018, the level of usage of our services and number of headcount of consumers under these service-level-agreements significantly increased. While this reflected greater user acceptance of and engagement

Management Discussion and Analysis

with our service proposition, which is beneficial to our family doctor services sector, it also increased our costs in serving such agreements, thus dragging overall profit margin for this segment. In anticipation of continuing strong levels of user engagement from this channel in 2019 and onwards, we have renegotiated new service-level-agreements and higher service fees with Ping An Life Insurance. Going forward, we expect the growing sophistication of our products and services, including membership products, deepening collaboration with commercial insurers and increasing usage levels will continue to generate healthy profit margins for this segment.

	Year ended 31 December		
	2018	2017	Year-on-year change
	RMB'000	RMB'000	
Revenue	410,729	242,163	69.6%
Gross profit	164,752	142,525	15.6%
Gross margin	40.1%	58.9%	-18.8 percentage points

Consumer healthcare

We integrate the online and offline service networks to provide users with one-stop healthcare services. As of 31 December 2018, our offline healthcare provider network comprised nearly 400 traditional Chinese medicine clinics, over 1,300 check-up centers, over 1,200 dental clinics, and over 120 medical beauty clinics, representing an increase of approximately 1,500 providers from the end of 2017. As of 31 December 2018, nearly 47,000 clinics operated on our Wanjia cloud clinic system.

Leveraging on our distribution channels and big data capability, we accurately target users' healthcare demands, and provide individual and corporate clients with standardized service packages covering health check-ups, medical beauty, dental check-ups and genetic testing services. In 2018, we served more than one million health check-up customers, an increase of about 35% compared with 2017. Based on the check-up results uploaded by users and their electronic health records, we provide users with value-added services including interpretation of check-up reports, arrangement of offline follow-ups, as well as personalised health messages and health management plans for sub-healthy users to improve their health status.

During the Reporting Period, revenue recognised from our consumer healthcare business amounted to RMB905.4 million, representing a year-on-year increase of 38.2%. Gross profit amounted to RMB418.1 million, representing a year-on-year increase of 37.5%. Higher revenue and profits were mainly attributable to the continued growth in the health check-up prepaid card business. Gross margin was 46.2% in 2018, comparable to 2017.

	Year ended 31 December		
	2018	2017	Year-on-year change
	RMB'000	RMB'000	
Revenue	905,442	655,397	38.2%
Gross profit	418,098	304,148	37.5%
Gross margin	46.2%	46.4%	-0.2 percentage points

Health mall

Our health mall, where we operate both principal and agency businesses, provides a wide range of easy-to-access products, including Chinese and Western pharmaceuticals, nutrition and health products, medical devices, maternal and infant products, and sports and fitness products. As of 31 December 2018, we collaborated with nearly 900 merchants for our health mall business, offering approximately 613,000 SKUs, an increase of about 550 merchants and about 434,000 SKUs respectively from the end of 2017. To provide our users with an excellent experience, we increased and differentiated our pharmaceutical and healthcare offerings, and accurately targeted users' demand with big data analyses together with enhanced offline logistic network. In 2018, total GMV from our health mall business amounted to RMB2,973.4 million, representing a year-on-year increase of 78.7%.

During the Reporting Period, revenue from our health mall business amounted to RMB1,864.4 million, representing a year-on-year increase of 108.1%. Gross profit amounted to RMB200.9 million, representing a year-on-year increase of 92.1%. The growth was mainly attributable to the continued diversification of product offering and higher user engagement with our mobile application. Increased demand from Ping An Group's internal procurement also contributed to the growth in the health mall business. Gross margin decreased from 11.7% to 10.8%, mainly due to higher levels of procurement from Ping An Group and its lower gross margin due to volume discount.

	Year ended 31 December		
	2018	2017	Year-on-year change
	RMB'000	RMB'000	
Revenue	1,864,431	896,122	108.1%
Gross profit	200,928	104,593	92.1%
Gross margin	10.8%	11.7%	-0.9 percentage points

Health management and wellness interaction

Based on the health data uploaded by users and behavioral data collected by our platform, we profile our users and personalize the information they receive on our mobile application. We design and optimize our health management plans, tests and courses by predicting users' interests and hobbies through our recommendation engine, enabling us to push relevant products and services to users. As of 31 December 2018, we have created more than one million healthcare contents covering 20 different categories to help users solve common healthcare problems, and establish and maintain a healthy lifestyle.

With the accurate healthcare traffic our platform brings about, we are able to generate advertising revenue by providing our corporate clients with targeted advertising products and services. We innovate in marketing models and provide diverse services ranging from brand development, scenario-based user education to development of closed-loop marketing, so as to help corporate clients respond to end-users' needs in a real time manner and maximize end-user value. In 2018, our advertising clients are typically reputable multinational and domestic corporations in the healthcare industry including Bayer, Pfizer, Johnson & Johnson, Harbin Pharmaceutical Group, and China Resources Sanjiu.

Management Discussion and Analysis

During the Reporting Period, revenue from the health management and wellness interaction business reached RMB157.2 million, representing a year-on-year increase of 111.5%. Gross profit reached RMB128.2 million, representing a year-on-year increase of 110.8%. Such growth was mainly attributable to our data precision capability and brand reputation. Gross margin reached 81.5%, comparable to 2017.

	Year ended 31 December		
	2018	2017	Year-on-year change
	RMB'000	RMB'000	
Revenue	157,247	74,339	111.5%
Gross profit	128,160	60,804	110.8%
Gross margin	81.5%	81.8%	-0.3 percentage points

Management Outlook

China's population growth, aging demography and rising labor costs continue to increase medical expenditure and the demand for high quality healthcare services, thereby providing an ideal environment for the growth of the "Internet + Healthcare" model. Since the "Healthy China" strategy was launched in 2016, the government has been pushing forward healthcare reforms while making clear the supportive and promoting attitudes towards the "Internet + Healthcare" model. "Internet + Healthcare" has become an important part of the "Healthy China" strategy. We will continue to realise our mission of "providing a family doctor for every family, creating an e-health profile for everyone, setting up a health management plan for everyone" through the combination of the Internet, our proprietary AI technology and our in-house medical team.

Selling and Marketing Expenses

Selling and marketing expenses in 2018 amounted to RMB1,238.5 million, representing an increase of 71.2% from RMB723.6 million in 2017. Selling and marketing expenses accounted for 37.1% in the revenue for the year of 2018, representing a year-on-year decrease of 1.6 percentage points. Higher selling and marketing expenses were mainly attributable to higher advertising expenses, commission expenses, as well as expenses relating to customer acquisition and user engagement resulting from the rapid growth of our businesses.

Administrative Expenses

Administrative expenses in 2018 amounted to RMB994.7 million, representing an increase of 40.0% from RMB710.7 million in 2017. Excluding listing-related expenses and share-based payments, other administrative expenses in 2018 amounted to RMB849.5 million, representing an increase of 35.1% from RMB628.7 million in 2017 and accounted for 25.5% of total revenue for the year of 2018, a decrease of 8.2 percentage points from 2017.

Other Gains/(Losses) – Net

Other net gains in 2018 amounted to RMB183.5 million, compared with other net losses of RMB199.2 million in 2017. The turnaround was mainly attributable to the foreign exchange gains resulting from the appreciation of USD against RMB during the year.

Finance Income/(Costs) – Net

Net finance income in 2018 amounted to RMB201.9 million, compared with net finance costs of RMB0.2 million in 2017. The turnaround was mainly attributable to an increase in interest income arising from proceeds from financing raised in 2018. In addition, interest expenses on bank loans were incurred in 2017. There were no bank loans in 2018.

Loss for the year and the Non-IFRS measure: adjusted net profit/(loss)

Our net loss for the year of 2018 amounted to RMB913.1 million, representing a decrease of 8.8% compared with RMB1,001.6 million recorded for the year of 2017. To supplement our consolidated financial information presented in accordance with IFRS, we also adopted the “adjusted net profit/(loss)” which is not a required standard under IFRS or which is presented not in accordance with IFRS requirements as an additional financial measure. For the purpose of this annual report and future annual reports, the “adjusted net profit/(loss)” may be used in exchange with the “net profit/(loss) not under GAAP”. We believe that this additional financial measure is useful for comparing our operating performance between different periods and different companies by eliminating the potential impact of items which, in the opinion of our management, are not indicative of our operating performance. We also believe that the additional measure can provide investors and other individuals with meaningful information, allowing them to understand and predict our consolidated operating results in the same way as our management. However, the “adjusted net profit/(loss)” presented by us may not necessarily be comparable with the similar measures presented by other companies. Such non-IFRS measure has a limitation as an analytical tool. Thus, a view should not be held that it is independent from or can replace the analysis of our operating results or financial position presented in accordance with IFRS. After excluding the impact of share-based payments, net foreign exchange (gains)/losses and one-off listing expenses, the adjusted net loss in 2018 amounted to RMB924.1 million, representing an increase of 24.9% compared with the adjusted net loss of RMB740.2 million in 2017. The following table sets forth the adjusted net loss for the year ended 31 December 2018 and 2017 as the most directly comparable financial measure (namely, net loss for the year) calculated and presented in accordance with IFRS:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Loss for the year	(913,055)	(1,001,643)
Add:		
Share-based payments	126,945	47,630
Net foreign exchange (gains)/losses	(156,276)	179,552
One-off listing expenses	18,244	34,304
Adjusted net loss	(924,142)	(740,157)

Management Discussion and Analysis

Liquidity and Financial Resources

Our cash and other liquid financial resources as of 31 December 2018 and 31 December 2017 were as follows:

	31 December 2018	31 December 2017
	RMB'000	RMB'000
Cash and cash equivalents	926,485	4,594,641
Term deposits	5,744,512	329,977
Cash and other liquid financial resources	6,670,997	4,924,618

Cash and cash equivalents include cash in hand and at banks, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. Term deposits are bank deposits with original maturities over three months and within one year.

Our cash and cash equivalents, and term deposits are mostly denominated in USD and RMB.

Cash flows for the years ended 31 December 2018 and 31 December 2017 were as follows:

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Net cash used in operating activities	(1,085,193)	(483,942)
Net cash (used in)/generated from investing activities	(9,557,060)	325,869
Net cash generated from financing activities	7,015,576	2,153,955
Net (decrease)/increase in cash and cash equivalents	(3,626,677)	1,995,882
Cash and cash equivalents at the beginning of the year	4,594,641	2,721,537
Effects of exchange rate changes on cash and cash equivalents	(41,479)	(122,778)
Cash and cash equivalents at the end of the year	926,485	4,594,641

Net cash used in investing activities mainly included payments for acquiring Wanjia Healthcare of net cash RMB950.8 million, payments for investments in associates of net cash RMB250.0 million and net cash outflow paid for financial products and term deposits of RMB8,158.7 million. Net cash generated from financing activities mainly included the net proceeds from listing.

As of 31 December 2018, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

Treasury Policy

Our cash arises almost exclusively from equity funding. Such cash can only be invested in relatively liquid and low-risk instruments such as bank deposits or money market instruments. The primary objective of our investments is to generate finance income at a yield higher than the interest rate of current bank deposits, with an emphasis on preserving principal and maintaining liquidity.

Capital Expenditures

	Year ended 31 December	
	2018	2017
	RMB'000	RMB'000
Purchase of property, plant and equipment, intangible assets and other assets	189,177	22,220

Our capital expenditures primarily comprised the expenditure for the purchase of property, plant and equipment (mainly office and telecommunication equipment) as well as intangible assets (mainly software).

Foreign Exchange Risk

For the year ended 31 December 2018, we mainly operated our businesses in China with most of the transactions settled in RMB, the functional currency of our Company. Foreign exchange risk is the risk of incurring losses due to changes in foreign exchange rates. Fluctuations in the exchange rates between RMB and other currencies that we use to conduct our business operations may affect our financial position and operating results. The foreign exchange risk assumed by us primarily arises from movements in the USD/RMB exchange rates. We did not utilise any financial instruments for hedging any foreign exchange movements for the year ended 31 December 2018 (2017: Nil).

Pledge of Assets

As of 31 December 2018, none of our assets were pledged.

Contingent Liabilities

As of 31 December 2018, we did not have any material contingent liabilities.

Dividend

For the year ended 31 December 2018, we did not pay or declare any dividend.

Bank Loans and Other Borrowings

As of 31 December 2018, we did not have any material outstanding bank loans, debt securities, borrowings, debts, guarantees, hire purchase commitments or mortgages.

Management Discussion and Analysis

Significant Investments Held

On 13 November 2018, Ping An Health Cloud, a wholly owned subsidiary of the Company, entered into the partnership agreement with Ping An Life Insurance, Ping An Decheng and Ping An Capital, in relation to the formation of an investment fund (the "Investment Fund"). Upon establishment, the Investment Fund will be owned as to approximately 49.90%, 49.90% and 0.20% by Ping An Health Cloud, Ping An Life Insurance and Ping An Decheng, respectively. The Investment Fund shall have a fundraising capital of RMB501 million, which shall be contributed by Ping An Health Cloud, Ping An Life Insurance and Ping An Decheng in proportion which is the same to the ownership proportion above. Details of the partnership agreement are set out in the announcement of the Company dated 13 November 2018.

Material Investment and Future Plans of Capital Assets

As of 31 December 2018, we had no material investment and other plans for capital assets.

Material Acquisitions and Disposals of Subsidiaries and Associates

On 16 August 2018, Ping An Health Cloud signed an equity transfer agreement to acquire 100% equity interest in Wanjia Healthcare. Pursuant to the agreement, Ping An Health Cloud conditionally agreed to acquire 63.16% and 36.84% equity interest in Wanjia Healthcare from Shenzhen Ping An Financial Technology Consulting Co., Ltd and Urumqi Guangfengqi Equity Investment Limited Partnership, respectively, for a consideration of RMB980 million. Details of the equity transfer agreement are set out in the announcement of the Company dated 16 August 2018. We acquired Wanjia Healthcare in October 2018. Save as disclosed above, we did not carry out any material acquisition and disposal of other subsidiaries and associates for the year ended 31 December 2018.

Employee and Remuneration Policy

The Group had a total of 2,790 employees as of 31 December 2018, the majority of whom were based in various cities in the PRC, including Shanghai, Shenzhen, Beijing, Guangzhou, Hefei and Qingdao. The Group has established the remuneration system of "Cash Salary + benefit + long-term incentive". Remuneration is determined with reference to market conditions and individual employees' performance, qualifications and experience. In line with the performance of the Company and individual employees, a competitive remuneration package is offered to retain employees, including salaries, discretionary bonuses and benefit plans. Please refer to note 7 to the consolidated financial statements of the Group (the "Consolidated Financial Statements") in this Annual Report for details. Employees of the Company are eligible participants of the Pre-IPO employee share option scheme, details of which are set out in the Prospectus. In addition to on-the-job training, we have also adopted training policies to provide a wide range of in-house and external trainings for employees. During the Reporting Period, the relationship between the Company and our employees was stable. We did not experience any strikes or other labor disputes which materially affected our business activities.

Pension Scheme

Most employees of our Group have participated in a contribution pension scheme (the "Pension Scheme") subsidized by government entities. The Group pays the required amount of contribution, which is based on a certain percentage of employees' base salary, to the Pension Scheme on a monthly basis, and the relevant government entity will be responsible for paying the pension for retired staff. The above payments will be recognised as expenses at the time of actual payment. Pursuant to the Pension scheme, the Group does not have any other material statutory or committed obligations in respect of the pension scheme.

Directors and Senior Management

Directors

Biographic particulars of each of the Directors are set out below.

Executive Director

Mr. WANG Tao (王濤), aged 49, joined the Group in August 2014. He has been the Chairman of the Board and chief executive officer of our Company since May 2016 and September 2016, respectively. He founded Ping An Health Cloud (Ping An Good Doctor's operating entity in PRC) in August 2014 and has been serving as the chairman and chief executive officer. Mr. Wang has over 20 years of experience in management, technology and medical industry. Mr. Wang served as the chairman and chief executive officer of Ping An Health Insurance from March 2014 to June 2016 and accumulated abundant experience in the medical health industry. In addition, Mr. Wang has abundant management experience in the technology industry, including joining Alibaba Group in November 2004 and to serve as the vice president of technology and senior vice president, founding Alibaba Software (Shanghai) Co., Ltd. (阿里軟件(上海)有限公司) in April 2007, and serving as the president until September 2009, and serving as the chief technology officer of Kingsoft Software Co., Ltd. (北京金山軟件有限公司) from June 2002 to November 2004, the chief executive officer of Skyworth Computer & Network Company Limited (創維資訊技術有限公司) from November 2000 to May 2002, and as a software engineering manager at the headquarters of Microsoft from January 1996 to June 2000.

Mr. Wang obtained his bachelor's degree in computer software from Nanjing University (南京大學) in July 1989 and a master's degree in computer science from Southwest Texas State University in December 1993. In recognition of Mr. Wang's efforts in the field of business innovation and industry achievement, Mr. Wang was recognised as the Leader and Founder in China SaaS (中國SaaS領軍人物大獎) by the China Software Industry Association in 2008 and as one of the 50 Innovators of China Business (中國商業創新50人) by CBN Weekly (第一財經週刊) in 2016, was awarded with Industry Achievement Award by Hurun Report (胡潤百富) for two consecutive times in 2017 and 2018, and was awarded with the Award for Top 10 Entrepreneurs in 2018 (2018十大年度創業家獎) by THE FOUNDER (創業家) and iheima.com (i黑馬) in December 2018.

Non-executive Directors

Mr. LEE Yuan Siong (李源祥), aged 53, joined the Group in August 2014. He has been a non-executive Director of our Company since May 2016 and a director of Ping An Health Cloud since August 2014. Mr. Lee has over 25 years of experience in management. He joined Ping An Insurance (Group) in 2011 and has been serving as chief executive officer of insurance business since January 2011, executive director since June 2013, executive vice president since January 2016, deputy chief executive officer since October 2017 and Co-CEO of Ping An Insurance (Group) since December 2018. Mr. Lee held various positions at Ping An Life Insurance from February 2004 to June 2012, including the chairman of the board and chief executive officer from January 2006 to June 2012.

Mr. Lee obtained his bachelor's degree in science from the London School of Economics and Political Science in August 1989 and a master's degree in philosophy from University of Cambridge in July 1993. Mr. Lee was qualified as a Fellow of the Society of Actuaries (FSA) by the Society of Actuaries, the professional organization for actuaries based in North America, in August 1994.

Directors and Senior Management

Mr. YAO Jason Bo (姚波), aged 48, has been a non-executive Director of our Company since May 2016 when he joined the Group. He has also been serving as the non-executive director of Ping An Bank (previously known as Shenzhen Development Bank Co., Ltd. (深圳發展銀行股份有限公司)) since June 2010. Mr. Yao has extensive experience in management. He joined Ping An Group in 2001 and has been serving as chief actuary since January 2007, executive director since June 2009, chief financial officer since April 2010 and executive vice president since January 2016. Prior to that, Mr. Yao successively served in Ping An Group as a deputy chief actuary, deputy chief financial officer, general manager of planning and actuary department and an assistant to the general manager from May 2001 to April 2010.

Mr. Yao obtained his bachelor's degree in science from Georgia State University in August 1993 and a master of business administration from New York University in January 2000. Mr. Yao was qualified as a Fellow of the Society of Actuaries (FSA) by the Society of Actuaries, the professional organization for actuaries based in North America, in March 2000. The government of Futian District, Shenzhen awarded Mr. Yao as Outstanding Talent in June 2009.

Ms. CAI Fangfang (蔡方方), aged 45, has been a non-executive Director of our Company since May 2016 when she joined the Group. Ms. Cai has extensive experience in management. She has been serving as an executive director and the chief human resources officer of Ping An Group since July 2014 and March 2015, respectively. She served as the executive vice president of Ping An School of Financial Services since March 2014. Ms. Cai has also been serving as a non-executive director of Ping An Bank since January 2014 and is also currently a director of a number of controlled subsidiaries of Ping An Group including Ping An Life Insurance, Ping An Property & Casualty Insurance Company of China, Ltd. and Ping An Asset Management Co., Ltd.. Ms. Cai has over 20 years of experience in business and human resources management. Ms. Cai joined Ping An Group and successively served as a deputy general manager and the general manager of the remuneration planning and management department of the human resources centre from October 2009 to February 2012, and the vice chief financial officer and general manager of the planning department from February 2012 to September 2013.

Ms. Cai obtained her bachelor's degree in international trade from Guangdong University of Foreign Studies (廣東外語外貿大學) in July 1996 and a master's degree in accounting from The University of New South Wales in May 2000.

Mr. DOU Wenwei (竇文偉), aged 53, has been a non-executive Director of our Company since October 2017 when he joined the Group. Mr. Dou has been serving as a senior lawyer of the compliance department of the internal control management center and as the responsible person of the insurance law group of Ping An Group since January 2017. Mr. Dou joined Ping An Group in April 1997. He successively served as a staff member in audit and supervision department and the director of supervision office from April 1997 to June 2002, the director of the legal office from June 2002 to August 2004, the assistant general manager of the compliance department from August 2004 to April 2009, the manager of the fourth office and a deputy general manager of the legal & department of legal affairs of the administration center and the responsible person of the legal team from April 2009 to January 2017. Mr. DOU is also a member of the LIX Controlling Shareholder Group and one of our Controlling Shareholders.

Mr. Dou received his bachelor's degree in law from Jilin University (吉林大學) in July 1989 and a master's degree in law from Jilin University in May 1994.

Ms. WANG Wenjun (王文君), aged 51, has been a non-executive Director of our Company since October 2017 when she joined the Group. Ms. Wang has also been serving as the minister of party department of Ping An Bank since March 2011. Ms. Wang joined Ping An Group in 1996 and served successively as the deputy director of the group affairs office, deputy general manager of the human resources centre and the general manager of the employees services management department from June 1996 to March 2011, and an employee representative supervisor from May 2006 to March 2011. Ms. Wang also served as the general manager of security department of Ping An Bank from April 2013 to November 2016. Ms. WANG is also a member of the LIX Controlling Shareholder Group and one of our Controlling Shareholders.

Ms. Wang obtained her bachelor's degree in English from Shanghai International Studies University (上海外國語大學) in July 1989 and her master's degree in public administration from Xi'an Jiaotong University (西安交通大學) in June 2006. Ms. Wang is a qualified intermediate economist, accredited by the Shenzhen Position Management Office of the PRC in November 1997.

Mr. LAW Siu Wah Eddie (羅肇華), aged 53, has been a non-executive Director of our Company since March 2016 when he joined the Group. Mr. Law currently serves as the chairman of Zheng He Capital Management Limited. He has also been serving as the non-executive director of Lufax Holding Ltd since March 2015. Mr. Law joined Goldman Sachs in 1992 and retired as a Managing Director of the firm's Fixed Income, Currency & Commodities Division in August 2011. Mr. Law is also a member of the LIX Controlling Shareholder Group and one of our Controlling Shareholders.

Mr. Law obtained his bachelor's degree in business administration from University of Western Ontario in June 1991.

Independent Non-executive Directors

Mr. TANG Yunwei (湯雲為), aged 74, has been an independent non-executive Director of our Company since May 2018 when he joined the Group. He has been serving as an independent director of Universal Scientific Industrial (Shanghai) Co., Ltd. (環旭電子股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601231), since April 2017 and as an independent director of Hubei Sanonda Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000553), since December 2017. Mr. Tang has extensive experience in accounting and financial management. He successively served as a lecturer, associate professor, professor, assistant to the president and vice president of Shanghai University of Finance and Economics (上海財經大學) from 1984 to September 1993 and the president from October 1993 to January 1999. Mr. Tang was appointed as a member of China Accounting Standards Committee (中國會計準則委員會) by the Ministry of Finance of the PRC in October 1998 and the president of Shanghai Accounting Association (上海市會計學會) in August 2008.

Mr. Tang graduated from accounting department of Shanghai University of Finance and Economics (formerly known as Shanghai Institute of Finance and Economics (上海財經學院)) in July 1968, and he obtained a master's degree in economics from Shanghai University of Finance and Economics in November 1983 and a doctor's degree in economics from Shanghai University of Finance and Economics in January 1988. He is a senior member of the Chinese Institute of Certified Public Accountants. Mr. Tang was honored by the American Accounting Association as a distinguished international visiting lecturer, an honorary member of the Association of Chartered Certified Accountants of the British and was recognised by Education Commission and Ministry of Personnel of the PRC as returned overseas with outstanding contributions to the progress of socialist modernization.

Mr. GUO Tianyong (郭田勇), aged 50, has been an independent non-executive Director of our Company since May 2018 when he joined the Group. Mr. Guo has also been serving as independent directors of Ping An Bank since August 2016, Hundsun Technologies Inc. (恒生電子股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600570), since October 2014, Digiwin Software Co., Ltd. (鼎捷軟件股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300378), since May 2014. Mr. Guo has been working at the Central University of Finance and Economics (中央財經大學) since September 1999 and has been a professor and a doctoral tutor of the School of Finance since 2007 and 2010, respectively.

Mr. Guo obtained a bachelor's degree in science from Shandong University (山東大學) in July 1990, a master's degree in economics from Renmin University of China (中國人民大學) in July 1996 and a doctor's degree in economics from Tsinghua University PBC School of Finance (清華大學五道口金融學院) (formerly known as Postgraduate School for the Head Office of the People's Bank of China (中國人民銀行總行研究生部)) in Beijing, China in September 1999.

Directors and Senior Management

Mr. LIU Xin (劉鑫), aged 52, has been an independent non-executive Director of our Company since May 2018 when he joined the Group. He joined China University of Political Science and Law (中國政法大學) in July 2006 and has been serving as a professor since December 2008 and currently serves as a part-time master tutor of Peking University Law School (北京大學法學院). He successively served as a legal physician, an associate senior legal physician and a deputy director of Forensic Technology Institute of the Higher People's Court of Beijing Municipality (北京市高級人民法院法醫技術室) from July 1991 to July 2006, which is also known as Beijing Institute of Forensic Medicine and Science (北京市法庭科學技術鑒定研究所). Mr. Liu was appointed as a member of the rights protection committee of the second council of Chinese Medical Doctor Association (中國醫師協會) in June 2008, a member of the fourth council of China Health Law Society (中國衛生法學會) in May 2013, a member of the Expert Committee on Medical Humanities Test for the National Medical Qualification for Doctors (國家醫師資格考試醫學人文試題開發專家委員會) by the National Medical Examination Center (國家醫學考試中心) in November 2016 and a member of the expert advisory committee of Beijing Haidian District People's Court (北京市海淀區人民法院) in July 2017.

Mr. Liu obtained a bachelor's degree in forensic science from West China University of Medical Sciences (華西醫科大學) in June 1991 and a bachelor's degree in law from Peking University (北京大學) in June 1999. Mr. Liu was qualified as an associate senior legal physician by the Evaluation Committee of the Senior Professional Posts of Beijing (北京市高級專業技術職務評審委員會) in October 2002.

Dr. CHOW Wing Kin Anthony (周永健), aged 68, has been an independent non-executive Director of our Company since May 2018 when he joined the Group. He has also been serving as a non-executive director of Kingmaker Footwear Holdings Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1170), since June 1994, an independent non-executive director of MTR Corporation Limited, a company listed on the Hong Kong Stock Exchange (stock code: 0066), since May 2016, and an independent director of S.F. Holding Co., Ltd (formerly known as Maanshan Dingtai Rare Earth & New Materials Co., Ltd.), a company listed on the Shenzhen Stock Exchange (stock code: 002352), since December 2016.

Dr. Chow passed Part I and Part II of the Qualifying Examination of the Law Society of England and Wales pursuant to the Training Regulations, 1972 in April 1975 and May 1979, respectively. Dr. Chow was admitted as a solicitor of the Supreme Court of England & Wales in 1979 and a solicitor of the Supreme Court of Hong Kong in 1980. He was appointed by the Ministry of Justice of the PRC as an Attesting Officer in 2000. Dr. Chow was awarded the Justice of the Peace and the Silver Bauhinia Star by the Hong Kong Special Administrative Region in 1998 and 2003, respectively, and he is currently a member of The National Committee of the Chinese People's Political Consultative Conference. He was also awarded the Honorary Fellowship of the Hong Kong Institute of Education in 2010, the Honorary Fellowship of King's College London in July 2013 and the Roll of Honor by the Law Society of Hong Kong in 2015, and Doctor of Social Sciences, honoris causa by the Open University of Hong Kong in December 2018.

Senior Management

The biography of the senior management of the Group is set out as follows:

Mr. WANG Tao (王濤) is our executive Director and chief executive officer. His biographical details are set out in "Directors" in this section.

Mr. WU Zongxun (吳宗遜), aged 43, joined in our Group in August 2014, has been the chief product officer of Ping An Health Cloud since September 2014 and served as a director from August 2014 to October 2017. Mr. Wu has over 20 years of experience in product development and operation. He served as the chief product officer of Ping An Health Insurance from December 2013 to April 2015. Mr. Wu joined Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網路技術有限公司) in September 2000 and has over ten years of management experience in product designs and operations within Alibaba Group, including serving as senior director of merchant platform business department of Taobao (China) Software Co., Ltd. from March 2010 to March 2011, joining Alisoft (Shanghai) Co., Ltd. (阿里軟件(上海)有限公司) in March 2006 and serving as the operations director of the management software department from October 2008 to July 2009, senior director of ITBU (中小企業資訊化事業部) of Alibaba (China) Network Technology Co., Ltd. from August 2009 to March 2010 and senior manager of customer relationship management product team of Alibaba international website before March 2006.

Mr. Wu obtained his bachelor's degree in metal material & heat treatment from Xi'an Jiaotong University (西安交通大學) in July 1997.

Mr. WANG Qi (王齊), aged 46, joined in our Group in August 2014, has been the chief technology officer of Ping An Health Cloud since September 2014 and served as a director from August 2014 to October 2017. Mr. Wang has over 20 years of experience in Internet technology and computer system development and management. He served as the chief technology officer of Ping An Health Insurance from December 2013 to April 2015. Prior to that, Mr. Wang joined Alibaba (China) Network Technology Co., Ltd. (阿里巴巴(中國)網路技術有限公司) in July 2008 and was promoted to the vice president of technology of Alibaba Group in July 2011. Mr. Wang served as a senior architect at Unisys from February 2006 to February 2008 in charge of management of the open-source lab, as a senior architect at the Shanghai branch of Sun Microsystems (China) Co. Ltd. from June 2003 to July 2005, and an architect at MDCL-Frontline Limited from December 2000 to February 2003. From July 1994 to February 2000, Mr. Wang served as an assistant engineer in Geophysical Research Institute of Xinjiang, where he was primarily responsible for the creation of the earthquake velocity database and administration of computer system.

Mr. Wang received his college degree in computer science from Chengde Petroleum College (河北承德石油高等專科學校) in July 1994 and his bachelor's degree in international business from Xinjiang University of Finance and Economics (新疆財經大學, formerly known as Xinjiang Economic Management Institute (新疆經濟管理幹部學院)) in July 1998.

Ms. BAI Xue (白雪), aged 45, joined in our Group and has been the chief operation officer of Ping An Health Cloud since September 2014. Ms. Bai has over 15 years of experience in corporate operations and marketing. Ms. Bai joined Ping An Health Insurance in 2014 and worked as the chief marketing officer from March 2014 to April 2015 before she joined our Company. She served as the director of human resources at Alibaba Software Company Limited (阿里巴巴軟件有限公司) and the director of marketing at Alibaba Software (Shanghai) Company Limited (阿里巴巴軟件(上海)有限公司) from March 2006 to June 2009, the chief marketing officer of Jiangsu Ju Teng Network Technology Company Limited (江蘇炬騰網路技術有限公司) from July 2009 to March 2014.

Ms. Bai received her bachelor's degree in dyeing and finishing from Zhejiang Sci-Tech University (浙江理工大學, formerly known as Zhejiang Institute of Silk Textiles (浙江絲綢工學院)) in July 1997. Ms. Bai won the "2018 Most Influential Innovative Women" award issued by the top media outlets for Chinese businesswomen in finance – TOP HER and Jiemian News in November 2018, becoming the only female business leader in the healthcare industry to receive the honor in 2018.

Ms. XU Zhihong (許志紅), aged 58, joined the Group in August 2018 and was appointed as chief sales officer of Ping An Health Cloud. Ms. Xu has served in the army for over ten years and accumulated more than 30 years of experience in market, channel, product and customer management in insurance industry. Ms. Xu served as head of department in The People's Insurance Company (Group) of China Limited (中國人民保險集團股份有限公司) (formerly known as People's Insurance Company of China (中國人民保險公司)) and Hubei Branch of Ping An Life Insurance, respectively, from October 1987 to June 1999; served as vice general manager of Hubei Branch of Ping An Life Insurance and the general manager of Hubei Branch of Ping An Annuity from July 1999 to April 2008; served as the general manager of Shanghai Branch of Ping An Annuity from April 2008 to June 2009; served as vice general manager of Ping An Annuity from June 2009 to December 2016; served as the general manager of Ping An Wanjia Healthcare Investment Management Co., Ltd. (平安萬家醫療投資管理有限責任公司) from December 2016 to August 2018.

Ms. Xu obtained master degree in industrial economics from Wuhan University in June 2003 and EMBA degree from Shanghai National Accounting Institute in June 2011.

Directors and Senior Management

Mr. Edwin Morris (欣榮), aged 46, joined in our Group in December 2017, has been the chief financial officer of Ping An Health Cloud since January 2018. Mr. Morris joined John Swire & Sons (H.K.) Limited as the chief financial officer of Asia Miles Ltd. for the period from September 2013 to December 2017. He served as the financial controller of Swire Properties Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1972), from June 2008 to August 2013 and as a senior manager of the corporate finance department, the corporate planning department and the corporate planning & administration department of HUD Group from April 2005 to June 2008. Before that, Mr. Morris served as an associate and an associate director of Shaw, Kwei & Partners (Hong Kong) Ltd. from July 2000 to April 2005 and as a senior analyst in the equities accounting department of Goldman Sachs (Asia) LLC. from August 1998 to July 2000. Mr. Morris served as a senior accountant and an audit manager of Price Waterhouse Co. (currently known as PricewaterhouseCoopers), Ltd from March 1997 to July 1998 and served in the business advisory division of Arthur Andersen from February 1994 to March 1997.

Mr. Morris obtained a bachelor's degree in accounting from University of Technology, Sydney in April 1994 and a master of business administration from Kellogg School of Management at Northwestern University and The Hong Kong University of Science and Technology in December 2009. Mr. Morris was admitted as a member of The Institute of Chartered Accountants in Australia in September 1996 and was qualified as Chartered Financial Analyst by the CFA Institute in February 2001. Mr. Morris was qualified as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in May 2011, and was admitted as a fellow of Chartered Accountants Australia and New Zealand in December 2016.

Mr. QIN Jian (秦戩), aged 39, joined in our Group and has been serving as the legal representative of Ping An Health Cloud since August 2014, the general manager of human resources and administration department of Ping An Health Cloud from February 2016 to July 2018 and the human resources director and the general manager of human resources and administration department of Ping An Health Cloud since July 2018. Mr. Qin has over 15 years of experience in human resources management. He has served various positions at Ping An Life Insurance from July 2002 to August 2013, including as deputy manager of the human resources planning division of the human resources department from July 2008 to March 2013 and the manager of the talent development division of the human resources department from March 2013 to August 2013, and served as the deputy general manager of human resources and administration department of Ping An Health Insurance from March 2014 to January 2016.

Mr. Qin received his bachelor's degree in economic information management from Shandong Technology and Business University (山東工商學院, formerly known as China Institute of Economics for Coal Industry (中國煤炭經濟學院)) in July 2002.

Joint Company Secretaries

Ms. LIN Yuan (林源), aged 39, has been a joint company secretary and the chief responsible person of the board office of our Company since December 2017 and September 2016, respectively. Ms. Lin joined Ping An Health Insurance in July 2010, and served as the manager of the chairman's office from September 2012 to January 2016. Ms. Lin joined Ping An Health Cloud and has been serving as a deputy general manager of the chairman's office from April 2017 to October 2018.

Ms. Lin obtained her bachelor's degree in arts from Jiangxi Science and Technology Normal University (江西科技師範學院) in July 2002, and her master's degree in Management from Shanghai University of Finance and Economics (上海財經大學) in January 2014.

Ms. CHEN Chun (陳淳), aged 30, has been a joint company secretary of our Company since 20 January 2018. Ms. Chen joined SWCS Corporate Services Group (Hong Kong) Limited (formerly known as SW Corporate Services Group Limited) in December 2013, and currently serves as a company secretarial senior officer providing support and advisory on listed companies' company secretarial work and compliance matters.

Ms. Chen obtained her bachelor's degree in economics from Shanghai Finance University (上海金融學院) in July 2010. Ms. Chen was admitted Associate of The Hong Kong Institute of Chartered Secretaries and elected Associate of The Institute of Chartered Secretaries and Administrators in March 2016.

The Directors are pleased to present their report together with the consolidated financial information of the Group for the year ended 31 December 2018.

The Global Offering

Our Company was incorporated in the Cayman Islands on 12 November 2014 as an exempted company with limited liability under Cayman Companies law. With the approval from the Registrar of Companies in Hong Kong on 8 December 2017, the Company started to operate business under the name of "Ping An Healthcare and Technology Company Limited 平安健康醫療科技有限公司".

The Company was listed on the Main Board of the Stock Exchange on 4 May 2018 with stock code 1833.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries of the Company are offering online medical and wellness services, such as family doctor services, consumer healthcare services, health mall as well as health management and wellness interaction.

The analytical statements for income and contribution from results of business segments of the Group are set out in the section headed "Management Discussion and Analysis" and note 5 to the Consolidated Financial Statements in this Annual Report.

Use of Net Proceeds from Listing

Upon the listing of the Shares of the Company on the Stock Exchange on 4 May 2018, the proceeds from listing will be utilized for the purposes as set out in the Prospectus of the Company dated 23 April 2018. As of 31 December 2018, such proceeds have not been utilized.

Results

The results of the Group for the year ended 31 December 2018 are set out in the Consolidated Statement of Comprehensive Income in this Annual Report.

Business Review

The business review and performance analysis of the Group as of the Reporting Period are set out in the section headed "Chairman's Statement" and "Management Discussion and Analysis" in this Annual Report.

Discussion details on the Group's environmental policies and performance are set out on pages 59 to 107 of the Environmental, Social and Governance Report and the status of the Group's compliance with the relevant laws and regulations that have material impact on the Group is set out in the section headed "Litigation and Compliance" on page 42 and the description of the principal risks and uncertainties facing the company is set out in the section headed "Corporate Governance Report" on pages 44 to 58. The aforesaid discussion forms a part of the Directors' Report.

Dividend Policy

The Company has established a divided policy. When recommending the payment of any dividend, the Board should consider the following criteria including:

- a the actual and expected results of operations and cash flow and financial position of the Group;
- b general business conditions and business strategies;
- c distributable profit, retained earnings and/or distributable reserves of the Company and the members of the Group;
- d the Group's expected working capital requirements and future expansion plans;

Directors' Report

- e the Group's indebtedness level and liquidity position;
- f legal, regulatory and other contractual restrictions on the Group's declaration and payment of dividend;
- g other factors that the Board deems appropriate.

Dividend

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2018.

Reserves

Details of the changes in reserves of the Group and the Company for the year ended 31 December 2018 are set out in Consolidated Statement of Changes in Equity and note 36 to the Consolidated Financial Statements in this Annual Report.

Distributable Reserves

As of 31 December 2018, the Company did not have any distributable reserves.

Property, Plant and Equipment

Details of the changes in property, plant and equipment of the Group for the year ended 31 December 2018 are set out in note 16 to the Consolidated Financial Statements in this Annual Report.

Share Capital

Details of the changes in share capital of the Company for the year ended 31 December 2018 are set out in note 25 to the Consolidated Financial Statements in this Annual Report.

Subsidiaries

Details of the subsidiaries of the Company are set out in note 37 to the Consolidated Financial Statements in this Annual Report.

Borrowings

As of 31 December 2018, the Group did not have any outstanding bank loans and other borrowings.

Donation

For the year ended 31 December 2018, the Group made charitable donations of RMB0.2 million (2017: nil).

Financial Summary

A summary of the condensed consolidated results and financial position of the Group is set out on page 190 of the Annual Report.

Purchase, Sale or Redemption of the Company's Listed Securities

For the period from the Listing Date to 31 December 2018, the Company and any member of the Group have not purchased, sold or redeemed any of the Company's listed securities.

Debentures in Issue

For the year ended 31 December 2018, the Group did not issue any debentures.

Significant relationship with stakeholders

Employees

As of 31 December 2018, the Group had a total number of 2,790 employees. During the Reporting Period, relationship between the Company and the employees remained stable. The Company did not experience any strikes or other labor disputes which would have material impact on the business activities of the Company.

Users

The Company provided users with excellent online medical consultation services on 24x7 basis, good experience of users further enhanced user loyalty and continuous improvements to the ecosystem. As at the end of 2018, the number of registered users reached 265.2 million, representing an increase of 72.4 million as compared to the end of 2017. Benefited from improved efficiency of the AI assisted healthcare system, the scale of consultations expanded further with satisfaction level of users reaching 98%.

Suppliers

During day-to-day operation and management, the Company maintained constant communication with the suppliers to understand their opinions and requirements and responded actively in order to enhance trust in cooperating suppliers and strengthen bilateral cooperative relationship.

Major Customers and Suppliers

For the year ended 31 December 2018, the Group's five largest customer accounted for approximately 43.2% of the Group's total revenue and the Group's largest customers accounted for approximately 26.7% of the Group's total revenue. Besides, for the year ended 31 December 2018, the Group's five largest suppliers accounted for approximately 16.3% of Group's total cost and the Group's largest suppliers accounted for approximately 4.7% of the Group's total cost. To the knowledge of the Directors, (i) Ping An Life Insurance, Ping An Property & Casualty Insurance, Ping An Bank and Ping An Health Insurance, each one of our five largest customers, were subsidiaries of Ping An Group; (ii) Lufax (Shanghai) Technology Service Co., Ltd., one of our five largest customers, was a close associate of Ping An, Ms. WANG Wenjun and Mr. DOU Wenwei respectively; (iii) Mr. YAO Jason Bo, Mr. LEE Yuan Siong and Ms. CAI Fangfang each held an insignificant economic interest in a minority shareholder of Lufax (Shanghai) Technology Service Co., Ltd.; and (iv) Mr. LAW indirectly held less than 5% of the interests in the holding company of Lufax (Shanghai) Technology Service Co., Ltd. through a fund controlled by him. Save as aforesaid, to the knowledge of our Directors, none of our Directors and their respective Associates or any Shareholders holding more than 5% of the issued share capital of the Company had any interests in any of our five largest customers or suppliers of the Group during the Reporting Period.

Remuneration Policy and Director's Remuneration

In compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, the Company has established a Nomination and Remuneration Committee for reviewing the Group's remuneration policy and structure for remuneration of the Directors and senior management of the Group. The remuneration is recommended or determined based on each Director's and senior management personnel's qualification, position and seniority. As for the non-executive Directors, their remuneration is determined by the Board upon recommendation from the Nomination and Remuneration Committee. Details of the remuneration of the Directors and the five highest paid individuals are set out in note 8 and note 9 to the Consolidated Financial Statements in this Annual Report.

None of the Directors waived or agreed to waive any remuneration and there were no remuneration paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Employee Incentive Scheme

Employee Incentive Scheme was approved by the Board on 26 December 2014 and was amended by the Board on 12 May 2017 and 20 January 2018.

Purpose

The purpose of the Employee Incentive Scheme is to attract and retain talents, to promote the long-term sustainable development of our Company and related entities, to realize the maximization of value for Shareholders, and to achieve mutual benefit for Shareholders, the Company and staff.

Directors' Report

Eligible Participant

The EIS Participants include employees and any other persons as determined by the Board. The scope of grantees, specific targets and the number of EIS Options to be granted in each tranche will be determined by the Board with reference to the posts and performance of the EIS Participants.

Maximum Number of Shares

The EIS Shares are the 70,000,000 Shares (the number subject to share subdivision on the Listing Date) of the Company held by Le An Xin through Le Jin Xuan. As of 31 December 2018, the aggregate number of outstanding Shares (the number subject to share subdivision on the Listing Date) underlying the EIS options as granted by the Company under the Employee Incentive Scheme was 44,293,574.

Limit for Each Participant

Under the employee incentive scheme, there is no specific limit on the maximum number of Shares which may be granted to a single eligible participant.

Remaining Life of Employee Incentive Scheme

The Pre-IPO employees share option scheme is valid and effective for a period of 10 years from 26 December 2014 and up to 25 December 2024. The remaining life of the scheme is approximately 6 years. Any options that are outstanding on the expiry date of the Pre-IPO employees share option scheme shall remain in force according to the terms of the Pre-IPO employees share option scheme.

Consideration

No consideration is required to be paid by the grantees for the grant of options under the Pre-IPO employees share option scheme.

Option Period

The term of any options granted under the Pre-IPO employees share option scheme shall not exceed 10 years, subject to a Shareholder approval of extension of the exercise period for an option beyond 10 years from the date of grant. The Board shall also determine any conditions, if any, that must be satisfied before all or part of an option may be exercised.

Exercise Price

Subject to the Listing Rules and the applicable laws, the Board shall have the sole discretion on the determination of the exercise price of the EIS Options granted.

Equity-linked Agreements

Save the Employee Incentive Scheme as described in the above, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2018.

Directors

The list of Directors of the Company who were in office during the year ended 31 December 2018 and up to the date of this Annual Report is as follows:

Executive Director

Mr. WANG Tao (Chairman)

Non-executive Directors

Mr. LEE Yuan Siong
Mr. YAO Jason Bo
Ms. CAI Fangfang
Mr. DOU Wenwei
Ms. WANG Wenjun
Mr. LAW Siu Wah Eddie

Independent Non-executive Directors

Mr. TANG Yunwei (appointed on 4 May 2018)
Mr. GUO Tianyong (appointed on 4 May 2018)
Mr. LIU Xin (appointed on 4 May 2018)
Dr. CHOW Wing Kin Anthony (appointed on 4 May 2018)

Directors and Senior Management

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" of this Annual Report.

Directors' Service Contracts

Each of our Directors has entered into a service contract with our Company on 19 April 2018. The principal particulars of these service contracts include: (a) a valid term of three years commencing from their respective effective date of appointment until the day on which the next general meeting of the Shareholders for re-election of Directors is held; and (b) the service contracts are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Memorandum and Articles of Association of the Company and the applicable Listing Rules.

None of the Directors has entered into a service contract that is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in the section "Connected Transactions and Continuing Connected Transactions" below, neither the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during the year ended 31 December 2018.

Permitted Indemnity

Every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him or her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favour, or in which he or she is acquitted.

The Company has arranged appropriate insurance cover for the Directors in connection with the discharge of their responsibilities.

Management Contracts

Save for service contracts of the Directors, no contract concerning the management and operation of the whole or any substantial part of the business of the Company was entered into by the Company or existed during the Reporting Period.

Directors' Report

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in this Annual Report, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As of 31 December 2018, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of our Company or its associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance, which have been notified to our 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 was taken or deemed to have taken under such provisions of the SFO), or were recorded in the register required to be maintained by the Company pursuant to section 352 of the SFO, or which were notified to our Company and the Stock Exchange pursuant to the Model Code, are as follows:

Long positions/short positions in the shares of the Company

Name of Director	Nature of interest	Number of shares held	Long positions/ short positions	Approximate percentage of shareholding ⁽¹⁾
DOU Wenwei ⁽²⁾	Interest in controlled corporations	420,840,000	Long positions	39.43%
WANG Wenjun ⁽²⁾	Interest in controlled corporations	420,840,000	Long positions	39.43%
Law Siu Wah Eddie ⁽³⁾	Interest in controlled corporations	420,840,000	Long positions	39.43%
Law Siu Wah Eddie ⁽³⁾	Interest in controlled corporations	21,840,000	Short positions	2.05%
WANG Tao ⁽⁴⁾	Beneficial owner	4,700,000	Long positions	0.44%

Notes:

- (1) The calculation is based on the total number of Shares in issue of 1,067,294,200 Shares as of 31 December 2018.
- (2) As of 31 December 2018, Le Jin Xuan held a total of 420,840,000 Shares in our Company, representing approximately 39.43%. Bang Qi Jian held 44.91% of the issued share capital of Le Jin Xuan and was therefore deemed to have an interest in the Shares held by Le Jin Xuan. Ms. WANG Wenjun and Mr. DOU Wenwei each held 50% of the issued share capital of Bang Qi Jian as nominee Shareholders, and were therefore deemed to have an interest in the Shares held by Le Jin Xuan.
- (3) Mr. Law Siu Wah Eddie ("Mr. Law") is one of our non-executive Directors and Controlling Shareholders. Mr. Law holds 33.27% and 5.19% of the issued share capital of Le Jin Xuan through Zheng He Pentagon Fund L.P. (an exempted limited partnership incorporated in Cayman Islands on 27 November 2015, which is controlled by Mr. Law) and Hop-Fast Limited (a company incorporated under the laws of BVI on 7 May 2015, which is wholly-owned by Mr. Law) respectively, and is deemed to have 38.46% shareholding interest in Le Jin Xuan. Further, Le An Xin has agreed that it shall exercise its voting rights in relation to its shares in Le Jin Xuan (Le An Xin held 16.23% of the issued share capital of Le Jin Xuan as of 31 December 2018) in such manner as ZH GP 5 Limited, the general partner of Zheng He Pentagon Fund L.P., may direct. Mr. Law is deemed to have 54.69% of the voting power in Le Jin Xuan, and is therefore deemed to have an interest in all of the Shares of our Company held by Le Jin Xuan. Meanwhile, Mr. Law, through Hop-Fast Limited, and Glorious Peace (a company incorporated under the laws of BVI on 10 November 2014 and an indirect wholly-owned subsidiary of Ping An, and one of our Company's Controlling Shareholders) entered into a share purchase agreement on 1 December 2017 in relation to 21,840,000 Shares of our Company, to grant the call option and a right of first refusal in favor of Glorious Peace by Mr. Law through Hop-Fast Limited.
- (4) As of 31 December 2018, Mr. WANG Tao was entitled to 4,700,000 Shares pursuant to the Employee Incentive Scheme of our Company, including 1,675,000 Shares of the Company held through Le Jin Xuan upon exercise of part of EIS Options.

Save as disclosed above, as of 31 December 2018, so far as known to the Directors, none of the Directors or chief executives of the Company had or was deemed to have interests or short positions in the Shares, underlying Shares or debentures of our Company or any of its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or were under recorded in the register required to be maintained by the Company under section 352 of the SFO, or as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code.

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

As of 31 December 2018, so far as known to the Directors, the following persons (other than the Directors or chief executives of the Company) 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, or who was, directly or indirectly, interested in 5% or more of the Shares of the Company:

Long positions/short positions in the shares of the Company

Name of shareholder	Nature of interest	Number of shares held	Long positions/short positions	Approximate percentage of shareholding ⁽¹⁾
Le An Xin (PTC) Limited ⁽²⁾	Other interests (beneficial interests in equity derivatives)	68,325,000	Long positions	6.40%
Rui Jian Limited ⁽²⁾	Interest in controlled corporations	68,325,000	Long positions	6.40%
QIN Jian ⁽¹⁾	Interest in controlled corporations	68,325,000	Long positions	6.40%
ZHU Chengbo ⁽²⁾	Interest in controlled corporations	68,325,000	Long positions	6.40%
SVF Ping Subco (Singapore) Pte. Ltd ⁽³⁾	Beneficial interests	67,200,000	Long positions	6.30%
SoftBank Vision Fund L.P. ⁽³⁾	Interest in controlled corporations	67,200,000	Long positions	6.30%
Le Jin Xuan Limited ⁽⁴⁾	Beneficial interests	420,840,000	Long positions	39.43%
ZH GP 5 Limited ⁽⁴⁾	Interest in controlled corporations	420,840,000	Long positions	39.43%
Bang Qi Jian Limited ⁽⁵⁾	Interest in controlled corporations	420,840,000	Long positions	39.43%
Glorious Peace Limited ⁽⁶⁾	Beneficial interests	419,160,000	Long positions	41.31%
	Other interests	21,840,000	Long positions	
An Ke Technology Company Limited ⁽⁶⁾	Interest in controlled corporations	419,160,000	Long positions	41.31%
	Other interests	21,840,000	Long positions	
Ping An Insurance (Group) Company of China, Ltd. ⁽⁶⁾	Interest in controlled corporations	419,160,000	Long positions	41.31%
	Other interests	21,840,000	Long positions	

Notes:

- (1) The calculation is based on the total number of Shares in issue of 1,067,294,200 Shares as of 31 December 2018.
- (2) Le An Xin (PTC) Limited ("Le An Xin") holds the shares in Le Jin Xuan Limited ("Le Jin Xuan") as trustee on behalf of the beneficiaries under the Employee Incentive Scheme. Le An Xin is directly wholly-owned by Rui Jian Limited ("Rui Jian"), which is held by Mr. QIN Jian as to 50.1% and Mr. ZHU Chengbo as to 49.9%.

Directors' Report

- (3) SoftBank Vision Fund L.P. owns 100% equity interest in SVF Holdings (UK) LLP, which in turn owns 100% equity interest in SVF Holdings (Cayman) Ltd, which in turn owns 100% equity interest in SVF Holdco (Singapore) Pte. Ltd, which in turn owns 100% equity interest in Vision Fund Singapore SPV. By virtue of the SFO, SoftBank Vision Fund L.P., SVF Holdings (UK) LLP, SVF Holdings (Cayman) Ltd and SVF Holdco (Singapore) Pte. Ltd are therefore deemed to have an interest in all of the Shares held by Vision Fund Singapore SPV.
- (4) Mr. Law is one of our non-executive Directors and Controlling Shareholders. Mr. Law holds 33.27% and 5.19% of the issued share capital of Le Jin Xuan through Zheng He Pentagon Fund L.P. and Hop-Fast Limited respectively, and is deemed to have 38.46% shareholding interest in Le Jin Xuan. Further, Le An Xin has agreed that it shall exercise its voting rights in relation to its shares in Le Jin Xuan (Le An Xin held 16.23% of the issued share capital of Le Jin Xuan as of 31 December 2018) in such manner as ZH GP 5 Limited, the general partner of Zheng He Pentagon Fund L.P., may direct. Mr. Law is deemed to have 54.69% of the voting power in Le Jin Xuan, and is therefore deemed to have an interest in all of the Shares held by Le Jin Xuan. ZH GP 5 Limited is ultimately controlled and held by Mr. Law, and is therefore deemed to have an interest in all of the Shares held by Le Jin Xuan.
- (5) Bang Qi Jian holds 44.91% of the issued share capital of Le Jin Xuan and is therefore deemed to have an interest in the Shares held by Le Jin Xuan.
- (6) Glorious Peace and Hop-Fast Limited entered into a share purchase agreement on 1 December 2017 in relation to 21,840,000 Shares of our Company, to grant the call option and a right of first refusal in favor of Glorious Peace by Mr. Law through Hop-Fast Limited. Ping An Insurance (Group) Company of China, Ltd. owns 100% equity interest in An Ke Technology Company Limited, and Glorious Peace is a wholly-owned subsidiary of An Ke Technology Company Limited. By virtue of the SFO, Ping An Insurance (Group) Company of China, Ltd. and An Ke Technology Company Limited are therefore deemed to have an interest in all of the Shares held by Glorious Peace.

Save as disclosed above, as of 31 December 2018, the Directors were not aware of any person (other than the Directors or chief executives 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 were recorded in the register required to be kept by the Company under section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the Shares of the Company.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Memorandum and Articles of Association or the Cayman Companies Law which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

Tax Relief and Exemption

The Board are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Directors' Interests in Competing Business

None of the Directors had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group during the Reporting Period.

Contracts with Controlling Shareholders

Save as disclosed in the section "Connected Transactions and Continuing Connected Transactions" below, no contract of significance has been entered into among the Company or any of its subsidiaries and the Controlling Shareholders or any of their respective subsidiaries during the year ended 31 December 2018.

Connected Transactions and Continuing Connected Transactions

The Group has entered into the following connected transactions and continuing connected transactions during the year ended 31 December 2018:

Connected Transactions

For the year ended 31 December 2018, the Company had following connected transactions which were required to be disclosed under the Listing Rules. For further details of the connected transactions, please refer to the announcements of the Company dated 16 August 2018 and 13 November 2018.

1. *Equity Transfer Agreement*

On 16 August 2018, Ping An Health Cloud, one of the Operating Entities of the Company, entered into an equity transfer agreement with Ping An Financial Technology, Urumqi Guangfengqi (the "Vendors") and Wanjia Healthcare, pursuant to which the Vendors have conditionally agreed to sell, and Ping An Health Cloud has conditionally agreed to acquire, 63.16% equity interest in Wanjia Healthcare from Ping An Financial Technology and 36.84% equity interest in Wanjia Healthcare from Urumqi Guangfengqi, at a total consideration of RMB980 million.

Ping An Financial Technology is a subsidiary of Ping An, which is one of the controlling Shareholders of the Company and therefore is a connected person of the Company. Mr. Dou Wenwei, being a Director, is the general partner of Urumqi Guangfengqi, and thus Urumqi Guangfengqi is a connected person of the Company.

2. *Partnership Agreement*

On 13 November 2018, Ping An Health Cloud, a wholly-owned subsidiary of the Company, entered into a partnership agreement with Ping An Life Insurance, Ping An Decheng and Ping An Capital, in relation to the formation of an investment fund (the "Investment Fund"). Upon establishment, the Investment Fund will be owned as to approximately 49.90%, 49.90% and 0.20% by Ping An Health Cloud, Ping An Life Insurance and Ping An Decheng, respectively. The Investment Fund shall have a fundraising capital of RMB501 million, which shall be contributed by Ping An Health Cloud, Ping An Life Insurance and Ping An Decheng in proportion which is the same to the ownership proportion above.

Ping An is one of the controlling Shareholders of the Company, and Ping An Life Insurance, Ping An Decheng and Ping An Capital are subsidiaries of Ping An. Accordingly, Ping An Life Insurance, Ping An Decheng and Ping An Capital are connected persons of the Company.

Non-Exempt Continuing Connected Transactions

As disclosed in the Prospectus, the following transactions of the Group constituted continuing connected transactions for the Company for the year ended 31 December 2018 (the "Continuing Connected Transactions"). For further details of the Continuing Connected Transactions, please refer to the section headed "Connected Transactions – Non-exempt Continuing Connected Transactions" on pages 255 to 271 of the Prospectus.

1. *Provision of Products and Services Framework Agreement*

On 18 April 2018, the Group entered into a provision of products and services framework agreement (the "Provision of Products and Services Framework Agreement") with Ping An, pursuant to which the Company shall provide various types of products and services to Ping An and/or its associates, including, but not limited to, (i) family doctor services comprising online consultation, hospital referral and appointment, inpatient arrangement and second opinion services; (ii) prepaid cards and health check-up service package (i.e. "Health Life Pass"); (iii) products in the health mall; and (iv) advertising services. Fees will be paid to the Company by Ping An and/or its associates in respect of the provision of such products and services. The initial term of the Provision of Products and Services Framework Agreement shall commence on the Listing Date and end on 31 December 2020, subject to renewal upon the mutual consent of both parties.

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Ping An is a substantial Shareholder of the Company and therefore is a connected person of the Company.

The annual cap for the year ended 31 December 2018 is RMB1,394.2 million, while the actual transaction amount for the year ended 31 December 2018 is approximately RMB1,381.3 million.

2. *Services Purchasing Framework Agreement*

On 18 April 2018, the Group entered into a services purchasing framework agreement (the "Service Purchasing Framework Agreement") with Ping An, pursuant to which Ping An and/or its associates shall provide a wide spectrum of services to the Company, including but not limited to consulting services, business promotion services, outsourcing services relating to finance, human resources and administration matters, insurance services, online traffic re-directing services and customer referral services. The Group shall, in return, pay service fees to Ping An and/or its associates. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement shall be agreed between the relevant parties separately. The initial term of the Services Purchasing Framework Agreement shall commence on the Listing Date and end on 31 December 2020, subject to renewal upon the mutual consent of both parties.

Ping An is a substantial Shareholder of the Company and therefore is a connected person of the Company.

The annual cap for the year ended 31 December 2018 is RMB135.9 million, while the actual transaction amount for the year ended 31 December 2018 is approximately RMB104.7 million.

3. *Property Leasing Framework Agreement*

On 18 April 2018, the Group entered into the property leasing framework agreement (the "Property Leasing Framework Agreement") with Ping An, pursuant to which the Group will lease properties from Ping An and/or its associates for office use, including but not limited to the properties of Ping An in Beijing, Shanghai and Guangzhou. The principal terms of the Property Leasing Framework Agreement are as follows:

- the initial term of the Property Leasing Framework Agreement shall commence on the Listing Date and end on 31 December 2020, subject to renewal through mutual consents by the parties;
- The Group is entitled to lease additional gross floor area from and among the available properties owned by Ping An and/or its associates during the term of the Property Leasing Framework Agreement; and
- the parties shall enter into separate agreements setting out the specific terms and conditions (including property rents, payment methods and other usage fees) in respect of the relevant leased property based on the principles, and within the parameters provided, under the Property Leasing Framework Agreement.

Ping An is a substantial Shareholder of the Company and therefore is a connected person of the Company.

The annual cap for the year ended 31 December 2018 is RMB52.4 million, while the actual transaction amount for the year ended 31 December 2018 is approximately RMB29.8 million.

4. *Joint Technology Development Framework Agreement*

On 18 April 2018, the Group entered into a joint technology development framework agreement (the "Joint Technology Development Framework Agreement") with Ping An for the cooperation on the research and development of certain artificial intelligence technology, namely, the Intelligent Diagnosis Technology (智能問診技術) and Contemporary Hua Tuo Technology (現代華佗技術) (the "AI Technology"). Pursuant to the Joint Technology Development Framework Agreement, both parties would pay the research and development costs for the AI Technology. The principal terms of the Joint Technology Development Framework Agreement are as follows:

- the parties shall each be responsible for 50% of the research and development costs of the AI Technology;

- the associated intellectual property rights in relation to the AI Technology developed during the term of the Joint Technology Development Framework Agreement shall be co-owned by the parties;
- without prior consent of the other party, neither Ping An and/or its associates (excluding the Group) nor the Company shall (1) apply, register or file for intellectual property of the AI Technology on its own account or on behalf of a third party; or (2) transfer the research findings and the associated intellectual property rights to any third party in any form;
- Ping An and/or its associates (excluding the Group) and the Company shall each have the right to license the intellectual property rights of the AI Technology developed during the term of the Joint Technology Development Framework Agreement to a member of the Ping An Group without obtaining the consent of the other party, and the licensing party shall be entitled to the licensing fees. In the event that both the Company and Ping An and/or its associates (excluding the Group) intend to license the intellectual property rights to the same member of Ping An Group, both parties shall be the licensors to the intellectual property rights associated with the AI Technology. Such licensing fees shall be shared between the Company and Ping An and/or its associates (excluding the Group) on a 50:50 basis. Such licensing right shall survive the expiry of the Joint Technology Development Framework Agreement; and
- Ping An and/or its associates (excluding the Group) and the Company shall obtain the consent of the other party before licensing the intellectual property rights of the AI Technology to a third party other than members of the Ping An Group, and the licensing fees shall be shared between Ping An and/or its associates (excluding the Group) and the Company on a 50:50 basis.

The Joint Technology Development Framework Agreement has been taken effect from 1 January 2017 and expired on 31 December 2018.

Ping An is a substantial Shareholder of the Company and therefore is a connected person of the Company.

The annual cap for the year ended 31 December 2018 is RMB95.5 million, while the actual transaction amount for the year ended 31 December 2018 is RMB Nil.

5. *Financial Service Framework Agreement*

On 18 April 2018, the Company entered into a financial service framework agreement (the "Financial Service Framework Agreement") with Ping An, pursuant to which Ping An Bank shall provide deposit service, and Ping An and/or its associates shall provide wealth management service to the Company. For the deposit service provided, the Group deposits cash into the Group's bank accounts at Ping An Bank, including cash generated from the Group's daily business operations and proceeds generated from the Group's financing activities. In return, Ping An Bank pays deposit interests to the Group. In respect of the wealth management service, the Group purchases wealth management products from Ping An and/or its associates and receives investment income in return. The period of the Financial Service Framework Agreement is a fixed term effective from the Listing Date to 31 December 2020, subject to renewal upon the mutual consent of both parties.

Ping An is a substantial Shareholder of the Company and therefore is a connected person of the Company.

- (i) the annual cap of maximum daily balance of deposits to be placed by the Group with Ping An Bank for the year ended 31 December 2018 is RMB13,819.1 million, while the actual maximum daily balance its for the year ended 31 December 2018 is approximately RMB8,496.0 million,
- (ii) the annual cap of interest income received by the Group from Ping An Bank for the deposits for the year ended 31 December 2018 is RMB414.6 million, while the actual transaction amount for the year ended 31 December 2018 is approximately RMB100.5 million,

Directors' Report

- (iii) the annual cap of maximum daily balance of wealth management products purchased by the Group from Ping An Bank and/or its associates for the year ended 31 December 2018 is RMB11,055.3 million, while the maximum daily balance for the year ended 31 December 2018 is approximately RMB536.8 million, and
- (iv) the annual cap of investment income paid to the Group by Ping An and/or its associates for the year ended 31 December 2018 is RMB497.5 million, while the actual transaction amount for the year ended 31 December 2018 is approximately RMB7.7 million.

6. Overseas Medical Services Referral Framework Agreement

On 20 December 2017, the Group entered into a overseas medical services referral framework agreement (the "Overseas Medical Services Referral Framework Agreement") with Zheng He Health pursuant to which the Group has agreed to refer customers to Zheng He Health and/or its associates for their recommendation of certain overseas medical services providers, such as medical institutions or medical experts, to these customers. Zheng He Health shall pay commission to the Group for every successful referral, the amount of which is equal to 5% to 7.5% of the referral commission to be received by Zheng He Health from the overseas medical services providers as separately agreed between them. The initial term of the Overseas Medical Services Referral Framework Agreement commenced on 1 January 2018 and shall end on 31 December 2020, subject to renewal upon the mutual consent of both parties.

Zheng He Health is ultimately controlled by Mr. Law. Accordingly, Zheng He Health is an associate of Mr. Law, a Controlling Shareholder of the Company, and therefore is a connected person of the Company.

The annual cap of the Overseas Medical Services Referral Framework Agreement for the year ended 31 December 2018 is RMB10 million, while the actual transaction amount for the year ended 31 December 2018 is RMB Nil.

During the Reporting Period, the pricing and the terms of the Continuing Connected Transactions have been determined in accordance with pricing policies and guidelines as set out in the prospectus and respective announcements of the Company.

During the Reporting Period, the independent non-executive Directors have reviewed the Continuing Connected Transactions and confirmed that the transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) in accordance with relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The auditor of the Company has performed certain agreed-upon procedures regarding the continuing connected transactions entered into by the Group during the year ended 31 December 2018, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, as set out above and confirms that:

- (1) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (2) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes the Auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (3) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

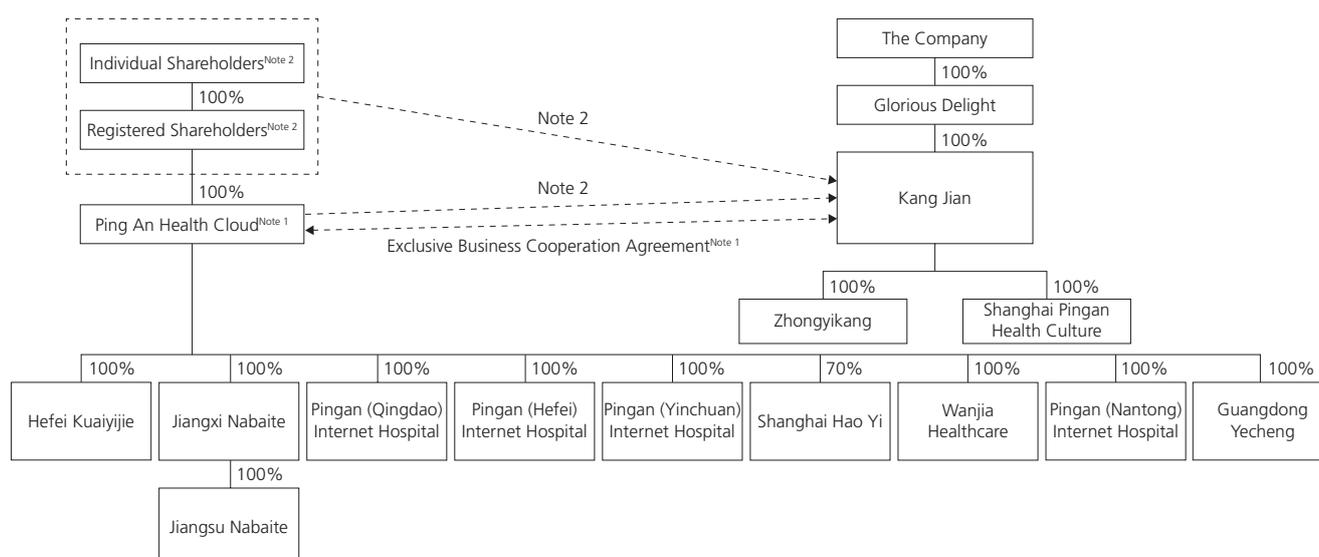
- (4) nothing has come to their attention that causes the Auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

Saved as disclosed in the “Connected Transactions and Continuing Connected Transactions” in this annual report, none of the related party transactions as disclosed in Note 33 to the consolidated financial statements constituted as connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules and in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

The Group has entered a series of contractual arrangements (the “Contractual Arrangements”) with the WOFE (as defined below), the Operating Entities and the PAHC Shareholders (as defined below), pursuant to which the Group obtained effective control over, and received all the economic benefits generated by, the businesses operated by the Operating Entities. Accordingly, through the Contractual Arrangements, the Group’s Operating Entities’ results of operations, assets and liabilities, and cash flows are consolidated into the Group’s financial statements.

The following simplified diagram illustrates the flow of economic benefits from the Group’s Operating Entities to the Group stipulated under the Contractual Arrangements:



———— denotes legal and beneficial ownership
 - - - - - denotes contractual relationship

Notes:

1. Kang Jian provides business support, technical and consulting services in exchange for service fees from Ping An Health Cloud.
2. The PAHC Shareholders (as defined below) executed the exclusive equity option agreement and the exclusive asset option agreement in favour of Kang Jian, for the acquisition of all or part of the equity interests in and all or part of the assets in Ping An Health Cloud.

The PAHC Shareholders executed powers of attorney in favour of Kang Jian, for the exercise of all Shareholders’ rights in Ping An Health Cloud.

The PAHC Shareholders granted first priority security interests in favor of Kang Jian, over the entire equity interests in Ping An Health Cloud.

Ping An Financial Technology, Shenzhen Kang Wei Jian Enterprise Management Company Limited, Shenzhen Kang Rui Jian Enterprise Management Company Limited and Urumqi Guangfengqi are collectively referred to as “Registered Shareholders” and Mr. QIN Jian, Mr. ZHU Chengbo, Ms. WANG Wenjun and Mr. DOU Wenwei are collectively referred to as “Individual Shareholders” (Registered Shareholders and Individual Shareholders together known as “PAHC Shareholders”).

Directors' Report

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(a) Exclusive Business Cooperation Agreement

Ping An Health Cloud entered into an exclusive business cooperation agreement (the "Exclusive Business Cooperation Agreement") with Kang Jian on 18 October 2017, pursuant to which, in exchange of an annual service fee, Ping An Health Cloud agreed to engage Kang Jian, the wholly owned foreign enterprise ("WOFE"), as its exclusive provider of business support, technical and consulting services, including but not limited to, technical services, network support, business consultation, equipment, leasing, market consultancy, system integration, product research and development and system maintenance. Under the Exclusive Business Cooperation Agreement, the service fee shall consist of 100% of the profit before tax of the Ping An Health Cloud, after deducting any accumulated losses of the Ping An Health Cloud and its subsidiaries from the preceding fiscal year, costs, expenses, tax and other statutory contribution in relation to the respective fiscal year.

(b) Exclusive Equity Option Agreement

Ping An Health Cloud entered into an exclusive equity option agreement (the "Exclusive Equity Option Agreement") with Kang Jian and the PAHC Shareholders on 18 October 2017, pursuant to which, Kang Jian has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from the Registered Shareholders all or any part of their equity interests in Ping An Health Cloud at any time and from time to time in Kang Jian's absolute discretion to the extent permitted by PRC laws for consideration as the higher of (a) a nominal price or (b) the lowest price as permitted under applicable PRC laws. The Exclusive Equity Option Agreement is for an initial term of ten years and may be extended for five year terms indefinitely. It shall remain effective unless terminated (a) by mutual agreement; or (b) in writing by Kang Jian with 30 days' notice.

(c) Exclusive Asset Option Agreement

Ping An Health Cloud entered into an exclusive asset option agreement (the "Exclusive Asset Option Agreement") with Kang Jian, and the PAHC Shareholders on 18 October 2017, pursuant to which, Kang Jian has the irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, from Ping An Health Cloud all or any part of its assets at any time at Kang Jian's absolute discretion and to the extent permitted by PRC laws for consideration as the higher of (a) a nominal price or (b) the lowest price as permitted under applicable PRC laws. The Exclusive Asset Option Agreement is for an initial term of ten years and may be extended for five-year terms indefinitely. It shall remain effective unless terminated (a) by mutual agreement; or (b) in writing by Kang Jian with 30 days' notice.

(d) Powers of Attorney

Ping An Health Cloud entered into an irrevocable power of attorney (the "Powers of Attorney") with Kang Jian and the PAHC Shareholders on 18 October 2017, pursuant to which the PAHC Shareholders appointed Kang Jian, any directors authorized by Kang Jian (except the PAHC Shareholders) and his/her successors, or a liquidator replacing Kang Jian's director as their exclusive agent and attorney to act on their behalf on all matters concerning Ping An Health Cloud and to exercise all of its rights as a Registered Shareholder of Ping An Health Cloud in accordance with PRC laws and the articles of Ping An Health Cloud. The term of the Powers of Attorney shall be the same as the term of the Exclusive Business Cooperation Agreement.

(e) Equity Pledge Agreement

Ping An Health Cloud entered into an equity pledge agreement (the "Equity Pledge Agreement") with Kang Jian and the PAHC Shareholders on 18 October 2017, pursuant to which the Registered Shareholders agreed to pledge as first charge all of their equity interests in Ping An Health Cloud to Kang Jian as collateral security for any and all of the guaranteed debt under the Contractual Arrangements and to secure the performance of their obligations under the Contractual Arrangements. During the pledge period, Kang Jian shall be entitled to receive any dividends or other distributable benefits arising from the equity.

The pledge in favour of Kang Jian shall take effect upon the completion of registration with the relevant administration for industry and commerce and shall remain valid after all the contractual obligations of the PAHC Shareholders and Ping An Health Cloud under the Contractual Arrangements have been fully performed and all the outstanding debts of the PAHC Shareholders and Ping An Health Cloud under the Contractual Arrangements have been fully paid.

Should an event of default (as provided in the Equity Pledge Agreement) occur and unless it is successfully resolved to Kang Jian's satisfaction within 30 days upon being notified by Kang Jian, Kang Jian may demand that the Registered Shareholders immediately pay all outstanding payments due under the Contractual Arrangements and/or dispose of the pledged equity interest to repay any outstanding payments due to Kang Jian.

The pledges under the Equity Pledge Agreement completed the registration with the relevant PRC authorities pursuant to PRC laws and regulations on 9 March 2018.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the PAHC Shareholders and/or Operating Entities during the year ended 31 December 2018. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2018.

For the year ended 31 December 2018, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of 31 December 2018, the Group had not encountered interference or encumbrance from any PRC governing bodies in operating the businesses through the Operating Entities under the Contractual Arrangements.

For the year ended 31 December 2018, the revenues of the Group all come from Ping An Health Cloud and its respective subsidiaries.

Reasons for Adopting the Contractual Arrangements

Our value-added telecommunication services business, Internet cultural business, radio and television program production and operation business to the public and operation of online medical institutions operated through the Operating Entities and its respective subsidiaries are subject to foreign investment restriction and prohibitions in accordance with the the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》). Since foreign investment in such business areas in which we currently operate are subject to restrictions under the current applicable PRC laws and regulations, after consultation with our PRC legal advisor (Haiwen & Partners), we determined that it was not viable for our Company to hold our Operating Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over, and receive all the economic benefits generated by the businesses currently operated by our Operating Entities through the Contractual Arrangements between Kang Jian, on the one hand, and our Operating Entities and its respective Shareholders, on the other. The Contractual Arrangements allow the results of operations and assets and liabilities of Ping An Health Cloud and its subsidiaries to be consolidated into our results of operations and assets and liabilities under IFRS as if they were subsidiaries of our Group. For details of the foreign investment restrictions relating to the Contractual Arrangements, please refer to the sections headed "Contractual Arrangements – PRC Regulatory Background" and "Contractual Arrangements – Development in the PRC Legislation on Foreign Investment" on pages 221 to 224 and pages 243 to 248 of the Prospectus.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business, and that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interest of our Group and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholders' approval requirements.

Directors' Report

Risks Relating to the Contractual Arrangements

There are certain risks that are associated with the Contractual Arrangements, including:

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interests in our Operating Entities.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership, and Ping An Health Cloud or its Shareholders may fail to perform their obligations under our Contractual Arrangements.

We may lose the ability to use and enjoy assets held by Ping An Health Cloud that are material to our business operations if Ping An Health Cloud declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

The ultimate Shareholders of Ping An Health Cloud may have conflicts of interest with us, which may materially and adversely affect our business.

We conduct our business operations in the PRC through Ping An Health Cloud and its subsidiaries by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws.

If we exercise the option to acquire equity ownership and assets of Ping An Health Cloud, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the Draft Foreign Investment Law (中華人民共和國外商投資法草案) and how it may affect the viability of our current corporate structure, corporate governance and business operations.

Potential impact to our company if the Contractual Arrangements are not treated as domestic investment.

Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Further details of these risks are set out in the section headed "Risk Factors – Risks Relating to Our Contractual Arrangements" on pages 61 to 68 of the Prospectus.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion as and when they arise;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year; and
- (c) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Kang Jian and our Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as four of the parties to the Contractual Arrangements, namely Ms. Wang Wenjun, Mr. Dou Wenwei, Ping An Financial Technology, and Urumqi Guangfengqi are connected persons. Ping An Financial Technology is a subsidiary of Ping An, one of our Controlling Shareholders, and is therefore an associate of Ping An. Urumqi Guangfengqi is owned as to 50% and 50% by Ms. Wang Wenjun and Mr. Dou Wenwei, the Directors, and is therefore an associate of Ms. Wang Wenjun and Mr. Dou Wenwei respectively.

In respect of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

- (a) no change without independent non-executive Directors' approval;
- (b) no change without independent Shareholders' approval;
- (c) on the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and the Operating Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and
- (d) we will disclose details relating to the Contractual Arrangements on an on-going basis.

Annual Review by the Independent Non-Executive Directors and the Auditor

For the year ended 31 December 2018, the independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

- (a) the transactions carried out during the year ended 31 December 2018 had been entered into in accordance with the relevant provisions of the Contractual Arrangements;
- (b) no dividends or other distributions had been made by Ping An Health Cloud to the holders of its equity interests which were not otherwise subsequently assigned or transferred to our Group;
- (c) no new contracts had been entered into, renewed and/or reproduced between our Group and the Ping An Health Cloud during the year ended 31 December 2018; and
- (d) the Contractual Arrangements had been entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interest of our Group and our Shareholders as a whole.

Directors' Report

The Company's auditor has confirmed in a letter in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA, under the requirement of Rule 14A.56 of the Listing Rules, to the Board that the transactions carried out pursuant to the Contractual Arrangements during the year ended 31 December 2018 had received the approval of the Board, had been entered into, in accordance with the relevant provisions of the Contractual Arrangements, and that no dividends or other distributions had been made by our Operating Entities to the holders of its equity interests which were not otherwise subsequently assigned or transferred to the Group.

Auditor

The consolidated financial information of the Group has been audited by PricewaterhouseCoopers, who will retire and, being eligible, to offer themselves for re-appointment at the forthcoming annual general meeting. The Company has not changed its auditor during any of the past three years.

Important Events After the Reporting Period

No important events affecting the Group occurred after 31 December 2018 and up to the date of this Annual Report.

Audit and Risk Management Committee

The Audit and Risk Management Committee has reviewed the consolidated financial statements of the Group as of 31 December 2018. The Audit and Risk Management Committee has also discussed with management of the Company the accounting policies and practices and internal controls adopted by the Company. Based on the above review and discussion with management of the Company, the Audit and Risk Management Committee is satisfied that the consolidated financial statements of the Group has been prepared in accordance with the applicable accounting standards.

Sufficiency of Public Float

The Company has obtained a waiver from the Stock Exchange and the Stock Exchange has accepted, under Rule 8.08 (1)(d) of the Listing Rules, a lower public float percentage of 21.3% at the issued share capital of the Company.

During the Reporting Period and as at the date of this annual report, based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained the minimum public float as permitted by the Stock Exchange.

Litigation and Compliance

To the best knowledge of the Board, the Group has complied with all relevant laws and regulations that have a significant effect on the Group in all material respects. No litigation or claim of material importance is pending or threatened against any member of our Group.

Change in Information of Directors and Chief Executive

Pursuant to the disclosure requirement under Rule 13.51B(1) of the Listing Rules of the Stock Exchange, the change in information of the Directors is as follows:

Mr. GUO Tianyong, an independent non-executive Director of the Company, resigned as an independent non-executive director of Bank of Tianjin Co., Ltd. (a company listed on the Stock Exchange, stock code: 1578) in June 2018.

Save as disclosed above, as of 31 December 2018, there was no change in the information of Directors and chief executive of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules of the Stock Exchange.

Closure of Register of Members

The register of members of the Company will be closed from 17 April 2019 to 24 April 2019, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend and vote at the annual general meeting to be held on 24 April 2019. All documents for transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 16 April 2019.

By the order of the Board

Chairman

WANG Tao

27 February 2019

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company.

Corporate Governance Practices

The Board is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that the Company's affairs are conducted in accordance with relevant laws and regulations and to enhance the transparency and accountability of the Board to Shareholders.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and formulate its business strategies and policies.

The Company was listed on the Main Board of the Stock Exchange on 4 May 2018. The Company has adopted the code provisions as set out in the Corporate Governance Code as our code of corporate governance.

In the opinion of the Directors, from the Listing Date to 31 December 2018, the Company has complied with all applicable code provisions set out in the Corporate Governance Code, save and except for code provision A.2.1 which states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Details of the deviations are set out in the sections headed "Chairman and Chief Executive Officer" in this Corporate Governance Report.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with Code of Conduct Regarding Directors' Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issues as set out in Appendix 10 to the Listing Rules as the code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors of the Company, all the Directors of the Company confirmed that they have complied with the required standards set out in the Model Code from the Listing Date to 31 December 2018.

The Board has also established written guidelines to regulate all dealings by informed persons who are likely to be in possession of inside information in respect of the Company's securities and unpublished information as referred to in code provision A.6.4 of the Corporate Governance Code.

Board of Directors

Board composition

The Board currently comprises eleven members as follows:

Executive Director

Mr. WANG Tao (Chairman)

Non-executive Directors

Mr. LEE Yuan Siong

Mr. YAO Jason Bo (Member of the Audit and Risk Management Committee and member the of Nomination and Remuneration Committee)

Ms. CAI Fangfang (Member of the Nomination and Remuneration Committee)

Mr. DOU Wenwei

Ms. WANG Wenjun

Mr. LAW Siu Wah Eddie (Member of the Audit and Risk Management Committee and member of the Nomination and Remuneration Committee)

Independent Non-executive Directors

Mr. TANG Yunwei (Chairman of the Audit and Risk Management Committee and member of the Nomination and Remuneration Committee)

Mr. GUO Tianyong (Member of the Audit and Risk Management Committee and chairman of the Nomination and Remuneration Committee)

Mr. LIU Xin (Member of the Audit and Risk Management Committee and member of the Nomination and Remuneration Committee)

Dr. CHOW Wing Kin Anthony (Member of the Nomination and Remuneration Committee)

The biographies of the Directors are set out in the section headed "Directors and Senior Management" of this Annual Report. There is no relationship between members of the Board.

Chairman and Chief Executive Officer

Code provision A.2.1 of the Corporate Governance Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. WANG Tao has occupied the positions of both the chairman and the chief executive officer of the Company. However, the Board is of the opinion that the Company has built up a structure of the Board and has developed a very structured and strict operation system and a set of procedural rules for the meeting of the Board. The chairman of the Company does not have any power different from that of other Directors of the Company in relation to the decision-making process of the Company. Also, in the day-to-day operation of the Company, the Company has put in place an integrated management system and structure. Decisions on all material matters will be subject to complete and stringent deliberation and decision making procedures in order to ensure that the chief executive officer of the Company can perform his duties diligently and effectively. Based on the above reasons, the Board is of the opinion that the Company's management structure is able to provide the Company with efficient management and at the same time, protect all Shareholders' rights to the greatest extent.

Therefore, the Company does not currently intend to separate the roles of the chairman and the chief executive officer.

Corporate Governance Report

Independent Non-executive Directors

From the Listing Date to 31 December 2018, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing one-third of the number of members of the Board) with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also appointed independent non-executive Directors who represent at least one-third of the Board in accordance with Rule 3.10A of the Listing Rules.

Confirmation of Independence of Independent Non-executive Directors

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considered all of them to be independent during the Reporting Period.

Non-executive Directors and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years, subject to the Memorandum and Articles of Association and the Listing Rules.

Under the Memorandum and Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of annual general meeting at which he retires and shall be eligible for re-election at the annual general meeting.

The Memorandum and Articles of Association also provides that all Directors appointed in general meeting by ordinary resolution to fill a casual vacancy or as a new Director shall hold office only until the next annual general meeting of the Company and shall then be eligible for re-election at that meeting.

Responsibilities of the Directors

The Board should assume responsibility for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expense, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board is responsible for decision-making in all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. The Board has delegated its powers relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company to Mr. WANG Tao, the Chief Executive Officer.

Board Committees

The Board has established two committees, namely, the Audit and Risk Management Committee and the Nomination and Remuneration Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit and Risk Management Committee and the Nomination and Remuneration Committee are available on the websites of the Company and the Stock Exchange.

Audit and Risk Management Committee

The Company has established an Audit and Risk Management Committee in compliance with the Corporate Governance Code. The primary duties of the Audit and Risk Management Committee are to review and supervise the financial reporting process and internal control system of the Group, review the financial information of the Group and consider issues relating to the external auditors and their appointment.

The Audit and Risk Management Committee comprises three independent non-executive Directors, namely, Mr. TANG Yunwei, Mr. GUO Tianyong and Mr. LIU Xin and two non-executive Directors, namely, Mr. YAO Jason Bo and Mr. LAW Siu Wah Eddie. Mr. TANG Yunwei, being the chairman of the Audit and Risk Management Committee, is appropriately qualified as required.

From the Listing Date to 31 December 2018, the Audit and Risk Management Committee has held two meetings. Details of the individual attendance records of each member of the committee are set out in the section headed "Board Meetings, General Meetings and Board Committee Meetings". At the meeting, the Audit and Risk Management Committee has reviewed the interim results announcement and interim report of the Group for the six months ended 30 June 2018, has considered the risk management and internal control system and the arrangements that allow the employees to raise concerns about the possible misconduct, and has given advice to the Board.

The Company has established special internal audit function which carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control system.

Nomination and Remuneration Committee

The Company has established a Nomination and Remuneration Committee in compliance with the Corporate Governance Code. The primary duties of the Nomination and Remuneration Committee are to make recommendations to the Board on the remuneration policy and structure of the Directors and senior management of the Company, and on the establishment of a formal and transparent procedure for developing remuneration policy, to ensure that neither Director nor any of his/her associate be involved in deciding his/her own remuneration; to determine, based on the authorization of the Board, the remuneration package for individual executive Director and senior management of the Company, including monetary benefits, benefits in kind, pension rights and compensation amount (including compensation payable for loss or termination of office or appointment); to timely review the structure, size and composition of the Board and committees under the Board, and to advise on any change to be made to the Board and committees under the Board for coping with strategies of the Company; to review the terms of service contracts of executive Directors from time to time; to study the criteria and procedures for selection of Directors and senior management of the Company, to make recommendation to the Board on the appointment and re-appointment of Directors and plans for succession of Directors (especially the chairman and the chief executive officer), and to assess the independence of independent non-executive Directors.

The Nomination and Remuneration Committee has formulated and reviewed the board diversity policy of the Company, covering all aspects and factors of the board diversity, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience. The Nomination and Remuneration Committee will discuss and agree on the measurable objectives of achieving board diversity (if necessary) and recommend them to the Board for adoption.

Corporate Governance Report

When identifying and selecting suitable Director candidates, the Nomination and Remuneration Committee will consider the personality, qualifications, experience, independence and other necessary conditions for coordinating corporate strategies and achieving board diversity (if appropriate) of the relevant candidates before making recommendations to the Board.

The Nomination and Remuneration Committee comprises four independent non-executive Directors, namely Mr. GUO Tianyong, Mr. TANG Yunwei, Mr. LIU Xin and Dr. CHOW Wing Kin Anthony and three non-executive Directors, namely Mr. YAO Jason Bo, Ms. CAI Fangfang and Mr. LAW Eddie Siu Wah. Mr. GUO Tianyong is the chairman of the Nomination and Remuneration Committee.

From the Listing Date to 31 December 2018, the Nomination and Remuneration Committee has held one meeting. Details of the individual attendance records of each member of the committee are set out in the section headed "Board Meetings, General Meetings and Board Committee Meetings". At the meeting, the Nomination and Remuneration Committee has reviewed the approved the remuneration package of the senior management of the Company.

According to code provision B.1.5 of the Corporate Governance Code, the remuneration for members of the senior management of the Company by range for the year ended 31 December 2018 is set out below:

	Number of Persons
Nil to RMB1,000,000	1
RMB1,000,001 – RMB2,000,000	0
RMB2,000,001 – RMB3,000,000	0
RMB3,000,001 – RMB4,000,000	0
RMB4,000,001 – RMB5,000,000	1
RMB5,000,001 – RMB10,000,000	4
above RMB10,000,001	1

The remuneration details of all Directors and the five persons with the highest remuneration (other than Directors) for the year ended 31 December 2018 are set out in Notes 8 and 9 to the consolidated financial statements.

Nomination Policy for Directors

From the needs of the Company's business development, if the Nomination and Remuneration Committee considers it necessary to recommend directors to the Board, the Nomination and Remuneration Committee may take such measures as it deems appropriate to identify and evaluate candidates.

The secretary of the Nomination and Remuneration Committee is required to convene a Nomination and Remuneration Committee meeting and invites the Board members to nominate candidates (if any) for the Nomination and Remuneration Committee to consider before the meeting. The Nomination and Remuneration Committee may also nominate candidates who are not nominated by the Board members.

The Nomination and Remuneration Committee may recommend to the Board candidates recommended or nominated by the Company's Shareholders as the nominees elected by the Board. The appointment or re-election of Directors and the succession plan of Directors are subject to the approval of the Board.

The Nomination and Remuneration Committee may refer the candidate's personal profile and recommendations to the Board for consideration when recommending candidates. In order for the proposal to be effective, the recommendation must clearly state the nomination intention and the candidate agrees to be nominated. The personal profile must include and/or be accompanied by full details of the candidate required to be disclosed under the Listing Rules, including the information and/or confirmation required by Rule 13.51(2) of the Listing Rules.

According to the article No.16.4 of the Memorandum and Article of Association, a Shareholder can serve a notice to the Company within the lodgement period of its intention to propose a resolution to elect a certain person other than the candidate listed in the Shareholder circular of the general meeting as a Director without the recommendation of the Board or the review and nomination of the Nomination and Remuneration Committee. Details of the candidates so proposed will be sent to all Shareholders through a supplementary circular.

Board Diversity Policy

The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the talents, skills, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of the Board are based on merit, in the content of the talents, skills and experience which the Board as a whole requires for operation.

The Nomination and Remuneration Committee reviews and assesses the composition of the Board and makes recommendations to the Board on appointment of new directors of the Company. The Nomination and Remuneration Committee also oversees the conduct of the annual review of the effectiveness of the Board. In reviewing and assessing the composition of the Board, the Nomination and Remuneration Committee has considered the benefits of all aspects of diversity, including without limitation to those described above, and the measurable objectives, in order to maintain an appropriate range and balance of talents, skills, experience and background of the Board. In recommending candidates for appointment to the Board, the Nomination and Remuneration Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity of the Board. In overseeing the conduct of the annual review of the effectiveness of the Board, the Nomination and Remuneration Committee will consider the balance of talents, skills, experience, independence and knowledge of the Board and the diversity representation of the Board. The measurable objectives of diversity are subject to review from time to time to ensure their appropriateness and confirm the progress of achieving such objectives.

The Nomination and Remuneration Committee considers that the Board is sufficiently diversified.

Corporate Governance Report

Board Meetings, General Meetings and Board Committee Meetings

The attendance record of each Director at the Board meetings, general meetings and Board committee meetings of the Company held from the Listing Date to 31 December 2018 is set out in the table below:

Name of Directors	Number of Meetings Attended/Number of Meetings Held from the Listing Date to 31 December 2018			
	Board Meeting	Extraordinary General Meeting	Audit and Risk Management Committee	Nomination and Remuneration Committee
Executive Director				
Mr. WANG Tao	2/2	1/1	–	–
Non-executive Directors				
Mr. LEE Yuan Siong	1/2	0/1	–	–
Mr. YAO Jason Bo	2/2	0/1	2/2	1/1
Ms. CAI Fangfang	1/2	0/1	–	1/1
Mr. DOU Wenwei	2/2	1/1	–	–
Ms. WANG Wenjun	2/2	1/1	–	–
Mr. LAW Siu Wah Eddie	2/2	1/1	2/2	1/1
Independent Non-executive Directors				
Mr. TANG Yunwei	1/2	0/1	2/2	0/1
Mr. GUO Tianyong	2/2	1/1	2/2	1/1
Mr. LIU Xin	2/2	1/1	2/2	1/1
Dr. CHOW Wing Kin Anthony	2/2	1/1	–	1/1

For the year ended 31 December 2018, the Board has held seven meetings, and the chairman has held a meeting with the non-executive Directors (including the independent non-executive Directors).

Continuous Professional Development of Directors

The Directors must always be aware of their duties as Directors of the Company and the operations, business activities and development of the Company.

Every newly appointed Director has received formal, comprehensive and tailored induction on the occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. The Company will arrange internal briefings for Directors and provide reading materials on relevant topics to Directors where appropriate. All Directors are encouraged to attend relevant trainings at the Company's expenses.

During the Reporting Period, the Company has organized a special training course for the Directors in respect of the inside information, insider trading and lock-up requirement, connected transaction, notifiable transaction and equity declaration under the Listing Rules provided by the qualified professionals/lawyers. In addition, the Company has also provided the Directors with relevant reading information such as the latest legal and regulatory information for their reference and learning, to ensure that the Directors understand the business and operations of the Group and their duties and obligations.

The following Directors pursued continuous professional development and relevant details are summarised as follows:

Name of Directors	Training or not ^{Note}
Executive Director	
Mr. WANG Tao	Yes
Non-executive Directors	
Mr. LEE Yuan Siong	Yes
Mr. YAO Jason Bo	Yes
Ms. CAI Fangfang	Yes
Mr. DOU Wenwei	Yes
Ms. WANG Wenjun	Yes
Mr. LAW Siu Wah Eddie	Yes
Independent Non-executive Directors	
Mr. TANG Yunwei	Yes
Mr. GUO Tianyong	Yes
Mr. LIU Xin	Yes
Dr. CHOW Wing Kin Anthony	Yes

Note: During the Reporting Period, all Directors have received training and training materials, including those from the Company's eligible professional/lawyer, about matters relevant to their duties as directors of a listed company. They also kept abreast of matters relevant to their role as Directors by attendance at seminars and conferences and/or reading relevant materials.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the Corporate Governance Code.

The Board is responsible for reviewing the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code and the disclosure in this Corporate Governance Report. The Board has performed the above duties during the period from the Listing Date to 31 December 2018.

Director's Financial Reporting Responsibility on Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement from the Company's independent auditor, PricewaterhouseCoopers, regarding its reporting responsibility on the financial statements is set out in the Independent Auditor's Report on pages 108 to 113 of this Annual Report.

Risk Management and Internal Control

The Board confirms its responsibility for ensuring that the Company establishes and maintains a fully effective risk management and internal control system. The risk management and internal control system should ensure that the business activities are carried out effectively, the accounting records are true and accurate, and that the Company complies with relevant laws, regulations and regulatory policies. The Board is also responsible for overseeing the risks exposure to the Company, determining the level of risk that the Company expects and can withstand, and actively considering, analyzing and developing strategies to manage the key risks exposure to the Company. These designs are designed to manage, and do not completely eliminate the risk that the Company may not be able to implement its business strategy, and may only make reasonable, but not absolute, assurances of material misstatement or loss.

The Audit and Risk Management Committee assists the Board in leading the management and monitoring and overseeing the risk management and internal control system through the risk management and internal control team, and reports and makes recommendations to the Board as appropriate. The Audit and Risk Management Committee reviews the construction, implementation and monitoring work of the management of the Company in the risk management and internal control system on a quarterly basis, and reviews the effectiveness of the risk management and internal control system on an annual basis. The Company gives the Directors sufficient instructions and information for performing their duties, so that the Directors can make an informed assessment when financial and other information is submitted for approval.

The Company's designated risk management and internal control team is responsible for identifying and monitoring the risks and internal control of the Company, and reporting any findings and follow-up actions directly to the Audit and Risk Management Committee. All departments of the Company strictly follow the Company's internal control procedures and report any risks or internal control matters to the risk management and internal control team.

The Company has established an internal audit team to provide independent evaluation of effectiveness of the risk management and internal control system of the Company. The internal audit team is responsible for receiving multi-channel reports, following up and investigating suspected fraud incidents, and meanwhile assisting the management in promoting anti-corruption education to all employees of the Company. Internal audit and investigation results are reported directly to the Audit and Risk Management Committee. Before the formal confirmation that the problems found in the audit are completely rectified, the internal audit function is responsible for reviewing the rectification plan proposed by the management of the Company on the problems found in the audit and reviewing the adequacy and effectiveness of the relevant rectification measures.

The Board and the management of the Company attach importance to the construction of the risk management and internal control system. In 2018, the risk management function went deep into the front end of business, and the risk management awareness of the employees continued to increase. The internal audit team keeps trying to optimize the audit function, and also hires external consultants to review the risk management and internal control system of the Company.

Risk Management

The Company has been committed to continuously improving the risk management system, including structure, process and culture, by enhancing the risk management ability, to ensure the sustainable and healthy business development of the Company. Under the supervision and guidance of the Board, the Company has established an organizational structure of risk management and internal control composed of operation and management, risk management and internal audit, and formulated risk management policies and risk management processes.

In 2018, the Company engaged an external consultant to identify and assess its major risks and established a dynamic risk management process, including risk identification, risk assessment, risk response, risk monitoring and risk reporting.

The Audit and Risk Management Committee assists the Board in examining the overall risk profile of the Company and reviewing changes in the nature and severity of the Company's major risks. The Audit and Risk Management Committee considers that the management of the Company has taken appropriate measures to address and manage the key risks at a level acceptable to the Board.

The Company has always attached importance to effective risk management, and actively implemented the internal management and external supervision requirements. Below is a summary of the major risks of the Company at this stage along with the applicable strategies. With the growth of business scale, scope, complexity and the changing external environment, the Company's risk profile may change and the list below is not intended to be exhaustive.

Macroeconomic and Policy Risk

Taking into consideration its complicated business and rapid changes in external macro-environment, the Company shall be subject to the supervision over Internet, healthcare and Internet healthcare industries. One of major challenges for the Company is meeting regulatory requirements and responding to changes in the external macro-environment. If the Company cannot effectively monitor and respond to changes in the external environment, timely and effective response to regulation will affect the Company's business development.

The Company is very concerned about external regulatory compliance and environmental changes, and has established a professional team responsible for timely collection, interpretation and promotion of external regulatory requirements. The Company's management, together with the business line, will also discuss changes in the external environment, assess the impact of regulatory requirements on the existing business, and develop targeted countermeasures. The Company's compliance team will provide legal advice on the latest regulatory requirements and conduct compliance reviews on the compliance of existing regulations.

Medical Risk

In line with the business development of the Company, the number of the internal doctor team and external renowned doctors is gradually increasing. If the Company cannot enhance and improve the organizational management system and the management of medical staff is not in place, it may lead to huge challenges in the quality management of medical service, affecting the sustainable and healthy development of family doctor service business.

The Company has always attached great importance to quality control of the family doctor service business by establishing a management team composed of professionals, formulating the standards and assessment and incentive rules for the introduction of doctors. For the family doctor service, the Company also improves and controls the service quality through multi-level training and multi-level quality control. As stated in the Prospectus, we have also maintained insurance against risks associated with the relevant business.

Information Security Risk

The Company generates, processes and stores a large amount of personal and transaction sensitive data, and recognises that any loss or disclosure of sensitive information due to network security, system failure or security violation will impose a significant impact on users, and also violate relevant regulations and regulatory requirements, thereby causing significant impacts on brand reputation of the Company.

The Company has paid great emphasis on the security of user sensitive information, established the standards on information security management and adopted control measures, including risk control system to prevent information from being disseminated through encryption technology, information desensitization and control of information access permission, and other measures so as to ensure information security. The Company's professional team occasionally carries out training and promotion of data security awareness, and also checks the protection of sensitive information.

Corporate Governance Report

Competition Risk

Due to the fierce competition in the Internet healthcare industry, the continuous entry of new competitors coupled with the constant evolvement of technical products, users' demands for products and services are constantly improved. It is difficult for an enterprise with no core competitiveness, unreasonable business model and insufficient innovation capability to attract and retain users and maintain the market share.

The Company has always been concerned about industry competition and actively enhanced its competitive advantage in talent, technology and capital management, to constantly meet the expectations from market users. The Company has given play to interaction effects of its business characteristics combined with the advantages of its business model to gradually facilitate the sustainable and healthy development of each line of business.

Reputation Risk

As one of the largest Internet healthcare platforms nationwide, the Company has been subject to policy supervision and widespread public concerns in terms of its relevant products and services, and information dissemination through diversified modes is very fast in leisure time. If the Company pays less attention to public opinion, delays in addressing the public opinion emergencies in a non-standard manner and fails to convey comprehensive and true information to the public in a timely manner, the Company's brand reputation and image will be damaged.

The Company has established a professional public relations management team, and formulated mechanisms of crisis public relations management, negative public opinion surveillance and public news disclosure and review, so as to keep constant communication with the management and the business department. The Company continues to pay attention to and make analysis on public opinion by using intelligent means and reports it to the management, in response to which, the management will take appropriate action in accordance with the Company's policies and procedures.

Customer Complaint Risk

The Company's customers include individuals and enterprise community. Service quality and service reputation directly affect the Company's business development. Paying less attention to customer complaints and delays in addressing complaints in a non-standard manner by the Company will directly influence product experience, harm brand image, and even affect the sustainable and healthy business development of the Company.

The Company has been committed to improving and enhancing its customer service experience by establishing a professional customer service department responsible for the management, formulating a mechanism of customer complaint management, and clarifying a mechanism of hierarchy management, analysis and feedback of complaints, processing time requirements and quality inspection mechanism. The customer service department has also set up complaint resolution indicators to monitor relevant risk handling on an on-going basis.

Business Continuity Risk

As the Company is an Internet healthcare platform, the stability of the system server and network infrastructure is critical to its user experience and sustainable business development. Any service interruption caused by information system defects and failure of the Company will have a significant adverse impact on the business.

The Company has attached great importance to and constantly paid attention to business continuity risk, and established and continuously optimized the corresponding emergency mechanism to provide support for continuous business operation. The Company has maintained a professional team responsible for system operation and network security to ensure its business continuity through the "dual-active data centers" and the emergency drill.

Strategic Management Risk

Since it is relatively new, the Internet healthcare industry in which the Company operates has a broad market prospect but is subject to certain industry regulations. In the fierce market competition, it is crucial for the Company to timely adjust and refine its strategic planning based on the industry or market development. The Company may not effectively cope with the competition and maintain its sustainable and efficient business development due to deviation in strategic planning without timely adjustment and defects in the implementation.

The management of the Company has attached great importance to strategy planning, which can only be implemented after strict discussion and review. The Company has also monitored the implementation of the strategy through the mechanisms of budget management, monitoring, and operation analysis and adjustment.

Internal Control

The Company has consistently focused on the construction of its internal control system.

The management of the Company is responsible for designing, implementing and maintaining the effectiveness of its internal control system, and the Board and the Audit and Risk Management Committee are responsible for exercising supervision over the appropriateness and effective implementation of the internal control measures introduced by the management.

Important links of the Company's internal control system include delineating the management responsibilities of each party in key business links, formulating clear written policies and procedures regarding important business processes and conveying to employees. The Company's policy is the management standard of each business process, covering the aspects such as finance, legal affairs and operation, and all employees shall strictly implement it.

In order to further strengthen the management's responsibility for the Company's internal control system and clearly confirm the effectiveness of the control system by the management, the management of the Company conducts self-assessment and confirmation of the internal control of key businesses and strategic business lines. The Company engages an external consulting agency to assist the management in compiling the self-assessment questionnaire, guide the management of relevant departments in carrying out self-assessment, and collect and summarize the self-assessment results. The relevant self-assessment results have been reviewed by the management of the Company and submitted to the risk management and internal control team for review and verification. The self-assessment and review results have been directly reported to the Audit and Risk Management Committee for consideration.

In addition, the internal audit team shall supervise the management in the construction of risk management and internal control system, regulate the management in the implementation of appropriate measures to objectively evaluate the effectiveness of the risk management and internal control system of the Company for the year of 2018 and report the evaluation results to the Audit and Risk Management Committee at least on an annual basis. The internal audit department directly makes a report to the Audit and Risk Management Committee in a timely manner regarding major internal control deficiencies, exercises supervision over the implementation of the rectification plan by the management, and reviews the full effectiveness of relevant rectification.

Effectiveness of Risk Management and Internal Control

The Audit and Risk Management Committee continues to review the risk management and internal control system on behalf of the Board.

The Company has conducted an annual review of the effectiveness of its risk management and internal control system for the year ended 31 December 2018, and confirmed that its risk management and internal control system on finance, operation and compliance are effective and sufficient.

Corporate Governance Report

In addition, the Board has confirmed that the accounting and financial reporting functions of the Company have been performed by the employees with appropriate qualifications and experience who have received adequate and appropriate training and development. Based on the work report of the Audit and Risk Management Committee, the Board has confirmed that the internal audit function of the Company is sufficient, the relevant resources and budget are sufficient, and the relevant employees are equipped with appropriate qualifications and experience, and have received sufficient training and development.

The Company has formulated information disclosure policy to provide comprehensive guidance for the Directors, senior management, Shareholders holding more than 5% and other relevant employees in handling confidential information and supervising information disclosure. Disclosure of regular reports, provisional reports and emergency handling of the Company are coordinated by designated personnel and released after reasonable examination, so as to ensure that the information disclosed is true, accurate and complete, without false records, misleading statements or major omissions. The Board is responsible for implementing the procedural provisions in the information disclosure policy, and the Company's internal audit team is responsible for checking and supervising the effective operation of the procedures, and for supervising and urging the correction of abnormal behaviors.

Remuneration of the Auditors

The table below sets out details of fees paid/payable for audit and non-audit services provided by PricewaterhouseCoopers for the year ended 31 December 2018:

Services provided to the Company	Fees paid and payables (RMB'000)
Audit services	6,230
Non-audit services	360
Total	6,590

Joint Company Secretaries

Ms. Lin Yuan is one of the joint company secretaries of the Company, who is responsible for making recommendations to the Board on corporate governance matters and ensuring the Company's compliance with the policies and procedures of the Board, applicable laws, rules and regulations.

To maintain good corporate governance and ensure compliance with the listing rules and the applicable Hong Kong laws, the Company has also appointed Ms. Chen Chun, a company secretarial senior executive of SWCS Corporate Services Group (Hong Kong) Limited, to act as another joint company secretary to assist Ms. Lin in fulfilling her duties as a company secretary of the Company. The main contact person of the Company is Ms. Lin, the other joint company secretary.

Details for the biographies of Ms. Lin and Ms. Chen are set out in the section headed "Directors and Senior Management – senior management" of this annual report.

During the year ended 31 December 2018, Ms. Lin and Ms. Chen have taken no less than 15 hours of relevant professional training in compliance with the requirements of Rule 3.29 of the Listing Rules.

Shareholders' Rights

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at the general meetings, including the election of individual Directors. All resolutions put forward at the general meeting will be voted by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Convening of Extraordinary General Meeting and Putting Forward Proposals

Under the Memorandum and the Articles of Association, general meetings shall be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong, and sent to the public mailbox of the Company (IR_PAGoodDoctor@pingan.com.cn), specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one of the Shareholders of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong, specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries or requests as mentioned above to the following address:

Address: 19/F, Block B, Shanghai Ping An Building, No. 166, Kaibin Road, Shanghai, PRC
(For the attention of the investor relation team)

Email: IR_PAGoodDoctor@pingan.com.cn

Communication with Shareholders and Investor Relations

During the Reporting Period, the Company shall fulfill its obligation of information disclosure in strict compliance with regulatory requirements to timely and fairly disclose all its information, and ensure that all Shareholders have equal access to company information.

The information disclosed during the Reporting Period is true, accurate and complete, and there is no violation of the information disclosure provisions.

During the Reporting Period, the Company adheres to the principles of compliance, objectiveness, interaction, fairness and efficiency in providing services proactively and passionately to institutional and individual investors domestically and oversea, aiming at promoting the accuracy and service level of investor relations, continuously improving the mutual understanding between investors and the Company, and enhancing the level of corporate governance.

Corporate Governance Report

In 2018, the Company provided illustrations of its results by means of interim results presentation, domestic and overseas non-transactional roadshows, reverse roadshows, investor open day, conferences of domestic and foreign investment banks and securities brokers, and made constant and extensive communication with institutional investors and minority investors, actively promoted itself to the market, thereby deepening the understanding of the market about the Company and its communication with the Company. Meanwhile, the Company maintains a website at www.pahtg.com and a public email of IR_PAGoodDoctor@pingan.com.cn, which serve as a communication platform with the Shareholders and investors. Shareholders and investors are welcome to write a letter directly to the investor relations team or email to the public email address of the Company for any enquiries. The public can also view and follow our latest business development, corporate governance practices and relevant information on the website platform.

In 2018, the Company organized 33 telephone conferences domestically and abroad, received 53 visits of investors/analysts domestically and overseas, attended approximately 15 conferences of investment banks and securities brokers domestically and overseas, organized 5 domestic and overseas roadshows, 1 large investor day as well as 1 on-site results presentation. Moreover, the Company was committed to improving the mechanisms of investors information collection and market information feedback, strengthening the dynamic monitoring of analyst reports and media and public opinions, and paid special attention to the investors' concerns and advice to improve the communication quality with investors in a targeted way, aiming at enhancing its governance level and intrinsic value.

Changes in the Articles of Association

The amended and restated Memorandum and Articles of Association were adopted by the Company on 19 April 2018 and became effective on the Listing Date.

About This Report

+ Introduction to This Report

Ping An Healthcare and Technology Company Limited (hereinafter referred to as “Ping An Good Doctor”, the “Company” or “We/Us”) is pleased to release the first environmental, social and governance report (hereinafter referred to as “this Report”), elaborating the management efforts and achievement in the environmental, social and governance (the “ESG”) areas in 2018, aiming at responding to the expectations from stakeholders and the public, and objectively disclosing the performance of Ping An Good Doctor in terms of the sustainable development. This Report has been considered and approved by the Board of Directors of Ping An Good Doctor.

+ Reporting Scope

This Report covers the period from 1 January 2018 to 31 December 2018 (hereinafter referred to as the “Reporting Period” or the “Year”). This Report mainly covers the Company’s principal business, including family doctor services business, consumer healthcare business, health mall business, and health management and interaction business. For details of the Company’s business, please refer to 2018 annual report of the Company.

+ Reporting Guideline

This Report is compiled in compliance with the “Environmental, Social and Governance Reporting Guide” (hereinafter referred to as the “ESG Reporting Guide”) of the Rules Governing the Listing of Securities on the the Stock Exchange of Hong Kong Limited (hereinafter referred to as the “HKEX” or the “Hong Kong Stock Exchange”) and by reference to the Sustainability Reporting Standards (hereinafter referred to as the “GRI Standards”) of the Global Reporting Initiative. The ESG Guide content index is provided at the end of this Report, for quick reference by readers.

+ Sources of Information for This Report

Information and data disclosed in this Report source from the internal official documents, internal statistics and the relevant public information of the Company. Unless otherwise specified, the monetary amounts herein shall be settled in Renminbi.



Sustainable Development Management

Since its establishment, Ping An Good Doctor has been advocating and adhering to the philosophy of sustainable development while assuming its own social responsibility. In strict compliance with the laws and regulations involved in its business operation, the Company has developed a series of internal systems to incorporate sustainable development into the day-to-day operations and consideration for decision-making of the Company. The sustainable development management, sustainable development report compilation and information disclosure of the Company shall be coordinated, led and in charge of by the Board. The Board and the management of the Company shall hold regular meetings to review the implementation of sustainable development related systems and work, and facilitate employee's participation through promotion and other forms, so as to realize the overall planning and management of sustainable development of the Company from top to bottom.

+ Highlights on Major Events of Social Responsibility for Ping An Good Doctor over The Years

- **August 2014:** the Company was established
- **October 2015:** Think Pink Public Benefit Activity of Nationwide Free X-ray Examination on Breast (粉紅絲帶全國免費乳腺 X 線檢查公益活動) was launched
- **June 2016:** Union of Cancer Control (抗癌聯盟) was established
- **October 2017:** Public Benefit Campaign of E Station for the Health of Teachers in Rural Area (鄉村教師健康 E 站公益計劃) was launched
- **January 2018:** Village Doctor Scheme (村醫工程) was launched
- **January 2018:** The 1st Hurun•Ping An Good Doctors of China (第一屆胡潤•平安中國好醫生榜) was issued
- **November 2018:** Sponsored Shanghai Marathon
- **January 2019:** The 2nd Hurun•Ping An Good Doctors of China (第二屆胡潤•平安中國好醫生榜) was issued
- **Early 2019:** The first Environmental, Social and Governance Report was issued

As a one-stop healthcare platform to provide comprehensive services, in response to the long-term pain points such as insufficient medical resources and imbalanced allocation in the medical service industry, unsound medical security system and poor medical service experience in China, we better allocate and utilize medical resources, reduce the cost of medical services and improve the quality of healthcare services to relieve burden on the government, hospitals, doctors and patients, and to alleviate the pressure of the healthcare system through its in-house medical team and artificial intelligence team which is dedicated to research and development as well as innovation. We are committed to establishing the Internet healthcare industry standards and creating an efficient and fair medical environment in China. This is the original intention for establishment and the social value of Ping An Good Doctor as a world's leading artificial intelligence (hereinafter referred to as "AI") medical technology company.

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Our Corporate Culture:

- **Customer first:** taking customer demands as the core
- **Teamwork:** believing in and use the power of the team
- **Focusing on execution:** doing what we say, doing what we do, and achieving our mission
- **Passion:** being courageous to break through, being fearless of challenges, and being passionate in the future achievement
- **Accumulation of merits:** benevolent doctors benefit the society and the people with virtue and goodness as the foundation to build great undertakings together

Our Mission:

to build the largest healthcare ecosystem in the world and promote healthy living empowered by technology.

Our Vision:

to provide a family doctor to each family, set up an electronic health record for each person and develop a health management plan for each person.



Awards and Recognitions Granted in 2018

No.	Awards	Awarding Institution
1	Annual China's Best Business Model in 2018 (2018 年度中國最佳商業模式)	21st Century Business Review
2	Health Industry Innovation Brand Top 10 in 2018 (2018 健康產業創新力品牌 Top10)	Economic View
3	The Best Innovative Company for Golden Lion Award of H Share Listed Company in 2018 (2018 港股上市公司金獅獎最佳創新公司)	Sina Finance
4	WISE 2018 King of New Economy – King of Internet Healthcare (WISE 2018 新經濟之王—互聯網醫療之王)	36Kr
5	"Golden Fortune Management" for Annual Enterprise Social Responsibility Award in 2018 (2018 年度「金理財」企業社會責任獎)	Shanghai Securities News



Participation by Stakeholders and Analysis on Topics of Significance

+ Communication Mechanism for Stakeholders

We are fully aware of the importance of communication and interact with stakeholders for the sustainable development of the Company's business. Accordingly, in the course of daily operation and management of the Company, we actively establish various channels of communication with both internal and external groups, such as employees, investors, users, government, partners and community, so we can understand the opinions and appeals of the stakeholders and make proactive response, thereby strengthening the confidence of stakeholders and consolidating cooperation relationship between both parties. At the same time, we optimize the strategy of the Company's sustainable development and improve its internal management based on feedbacks and expectations from stakeholders, so as to make rapid progress of the Company.

The communication and response between stakeholders and us are set forth below:

Stakeholders	Expectations and Appeals	Responding Measures for Communication
Users and Consumers	Product health and safety Service quality Privacy and information security Business Integrity	Improve quality control system Develop customer service system Enhance risk control Strengthen legal propaganda
Employees	Guarantee of legitimate rights and interests Unblocked road for career development Guarantee of emoluments and benefits Fine working atmosphere	Comply with laws and regulations Build channels for employee training and promotion Improve emolument and benefit system Conduct employee satisfaction survey
Investors and Shareholders	Sustainable profitability Standardized corporate governance Guarantee of rights and interests	Generate long-term revenue Improve internal control system Disclose information regularly
Suppliers and Partners	Openness and fairness Win-win cooperation Mutual development	Standardize procurement procedures Improve communication mechanism Establish long-term management model
Government and Regulatory Institutions	Compliance with national policies Performance of tax obligation Strengthening construction of the anti-corruption culture Participation in regional co-development	Operate in accordance with laws and regulations Pay taxes in a timely and proactive manner Coordinate with government for its supervision Promote employment
Community	Protection of community environment Facilitation to the development of the community	Implement green operation Conduct public welfare projects
Industry Association	Industry experience exchange Promoting industry advancement	Participate in industry forum Improve research and development capability

Environmental, Social and Governance Report

+ Assessment of Topics of Significance in 2018

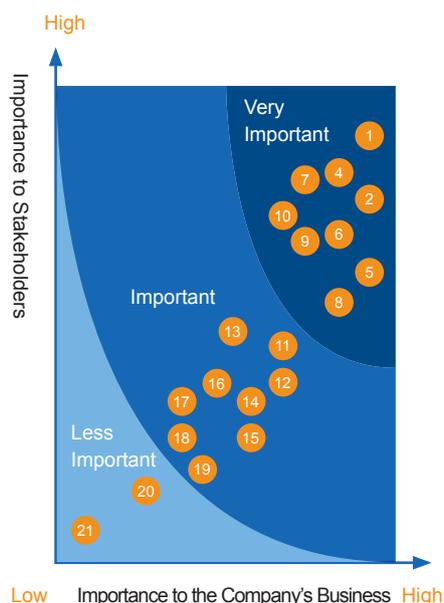
We entrusted a third party independent advisor to conduct materiality assessment in 2018, thereby gaining a comprehensive understanding of the relevance between each ESG issue and stakeholders together with the Company's business, deciding the disclosure focus in this Report and providing reference for subsequent optimization of the Company's sustainable development strategy.

The steps for materiality assessment in 2018 are as follows:



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Set forth below is a matrix of materiality assessment and the list of ESG issues in 2018:



Operation	Employment	Community	Environment
1. Protection of clients' privacy and data security 2. Verification of doctor qualification 2. Operation in compliance with policies 4. Improvement of clients' satisfaction 5. Protection and safeguard of intellectual property 6. Regulation of platform content 7. Management of product and service quality 8. Construction of the anti-corruption 9. Promotion of healthcare development 10. Technology development and innovation 12. Reasonable marketing and propaganda 13. supply-chain management and sustainable development	11. Occupational health and safety 14. Employee training and development 15. Prevention of child employment and compelled labor 16. Fairness and diversity 17. Employee emoluments benefits	18. Investment in and contribution to community development, environment protection, humanistic education, culture and sports undertakings	19. Green office and environment protection propaganda 20. Energy consumption and resource utilization 21. recycle and treatment of waste

(Note: the importance of both verification of doctor qualification and operation in compliance with policies ranks second)

In accordance with the results of materiality assessment in 2018, the most concerned topics by stakeholders centered on client privacy and data security, operation in compliance with regulations, clients' satisfaction as well as other aspects. We fully respect our internal and external stakeholders' opinions and will make key disclosure on high-importance topics in subsequent chapters of this Report, aiming to respond to each party's appeal.

In 2018, we formulated and implemented a series of strict measures and systems to protect client information and safeguard system safety, enhance the Company's management of data and information safety system; after screening the newly-added risks upon listing, we established and improved corporate risk management system and internal monitor system; meanwhile, we continued to focus on quality control and strengthen technological research and development, committed to providing clients with products and services to their satisfaction. We will review our own ESG strategies and work performance, and determine our next year's works with reference to and based on the result of this materiality assessment. We will also continue to optimize relevant internal regime and system construction, promoting the continuous improvement and advancement in all respects of ESG achievement of Ping An Good Doctor.



Responsibility for Quality Excellence and Perfection

At present, the elderly population in the PRC has been growing in proportion, the morbidity rate of chronic disease has been rising, problems such as scarcity and uneven distribution of quality healthcare resources, lack of tier-based diagnosis service and poor medical experience of patients have become more apparent. Therefore, how to accelerate the realization of sharing in healthcare resources, high efficiency and synergy in business, development of convenient and fast medical appointment service and remote healthcare services have become urgent issues that need to be resolved. For this reason, Ping An Good Doctor has responded actively to the State's initiative of promoting "Internet + Healthcare" by utilizing artificial intelligence technology to reform and improve the diagnosis process, promote the construction of smart healthcare service, improve the medical treatment experience of patients, thereby enhancing the equality, sharing, convenience and speed of healthcare services continuously. Meanwhile, we will pay continuous attention to the health condition of the Chinese population, gain insights on industrial trends and identify potential risks, so as to meet challenges and capture opportunities in a better position, and we will continue our endeavours to optimize and improve our business, pursue innovation and conduct research and development, aiming to establish standards and examples for the internet medical industry in the PRC and contribute our persistent and relentless efforts for the advancement of human health.

Through the mobile healthcare platform of Ping An Good Doctor, our self-owned offline internet hospitals and cooperative healthcare network, we provide quality services covering family doctors, consumer healthcare, health mall, health management and interactions for a wide range of users.



1. Quality Management and Control Mechanism

We recognize that the improvement on product quality and the strict management and control mechanism are the foundations for an enterprise to make significant progress and achieve sustainable development. Ping An Good Doctor places high emphasis on product quality and spares no efforts in promoting the effective operation of quality management and control system during its normal course of business.

1) Medical Quality Management and Control

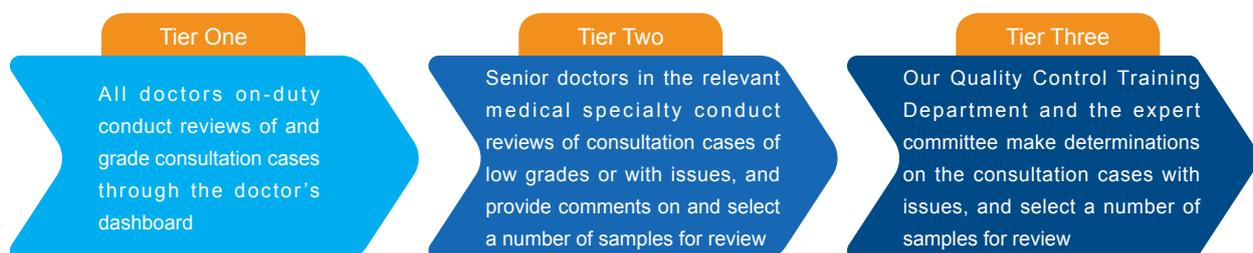
Ping An Good Doctor strictly complies with laws and regulations including the Measures on the Internet Diagnosis and Treatment Management (Trial) (《互聯網診療管理辦法(試行)》), Management Standards on Telemedicine Service (Trial) (《遠程醫療服務管理規範(試行)》) and the Law on Licensed Medical Practitioners of the People's Republic of China (《中華人民共和國執業醫師法》) and standardizes its management on medical team to strictly manage and control the quality of medical services performed by them.

i. In-house medical team

Ping An Good Doctor has an excellent in-house medical team to provide on-demand, real-time online consultation services for users. As of 31 December 2018, there were 1,196 members in our in-house medical team. We attach great importance to the quality and safety of our medical services and continue to enhance the service quality of our in-house medical team.

We have adopted stringent hiring procedures for doctors and medical assistants, which involve interviews and in-role trial evaluations. For the doctor position, we will only employ those candidates who possess medical related undergraduate degrees or above, qualification certificate for medical practitioner, practice certificate for medical practitioners, clinical working experience of over three years, qualification certificate of speciality and technology for attending doctors or above, as well as the pass for medical practitioner's routine assessment. Our in-house medical team receives regular training on relevant safety policies, standards, protocols and procedures and is encouraged to attend external symposiums for professional development purposes. We also invite external sophisticated doctors to act as specialty leaders to give medical specialty trainings on our in-house doctors. We carry our daily random check on the service quality of medical team and conduct monthly evaluations and annual performance evaluation in combination with several indications such as user feedback and five-star rating to impose awards and penalties based on the results thereof, aiming to encourage the improvement on the quality of medical services.

We have adopted a three-tiered quality control system for our family doctor services performed by our in-house medical team with reference to ISO quality standards. We have established the medical quality and safety management committee to regularly review the results of quality inspection and propose the improvement plan. Should any issues arise during any tier of quality controls, our quality control personnel would report to the Medical Department which is responsible for monitoring and control on medical quality within 24 hours. We have set up an expert committee to oversee the three-tiered quality control system. As of 31 December 2018, our expert committee comprised 31 licensed doctors who are highly regarded authorities in their respective fields.



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ii. External doctors

The Company has established a “Renowned Doctor” program, under which we contracted with certain renowned external medical experts in providing premium consultation services to our users. For external doctors, we have a stringent supervision and control procedure in place and have established a comprehensive evaluation system.

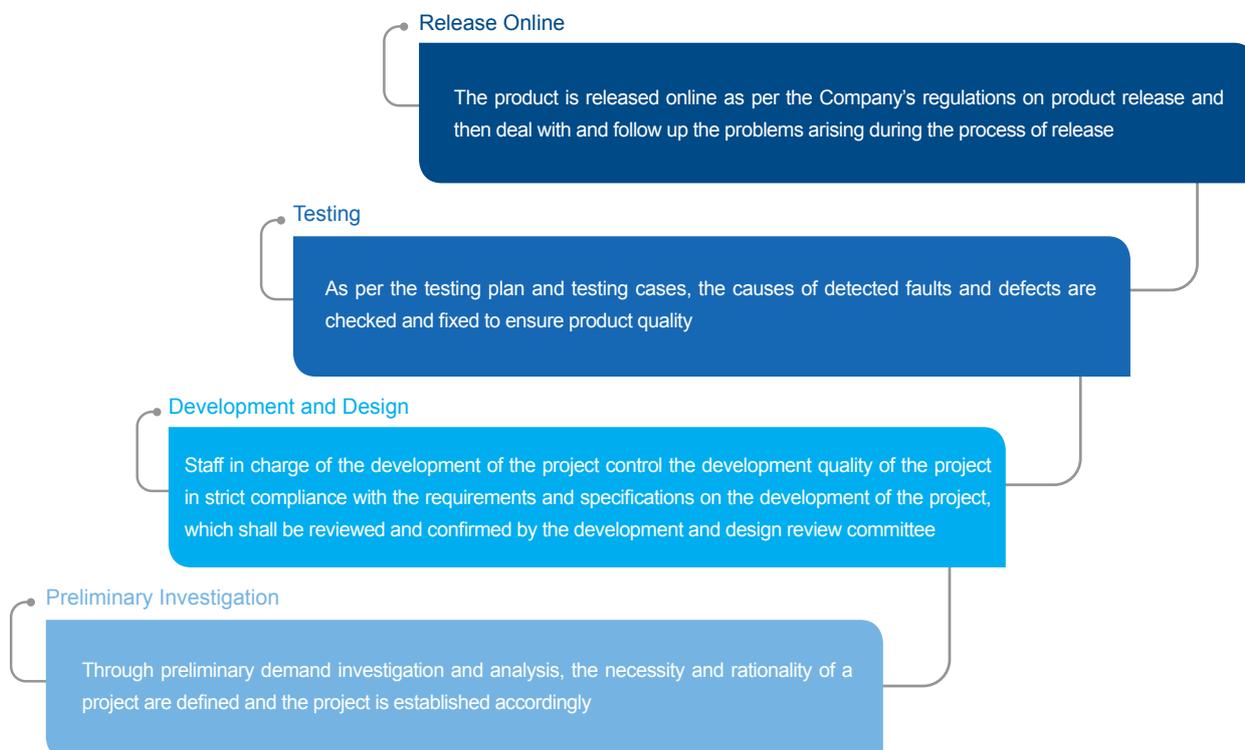
- After those external doctors register with us at Ping An Good Doctor platform, we will perform checks on their credentials and backgrounds before they perform diagnosis
- Regularly analyze cases where a customer has complaint and requests a refund, and sample the consultation records of the external doctors
- Monitor the volume of consultations conducted by external doctors and their response rates
- Impose penalties, such as reductions in fee and termination of services, on external doctors providing unsatisfactory service quality

iii. Offline healthcare institution network

We cooperate with offline healthcare and medical institutions to provide consumer medical services such as physical examination, gene testing and medical aesthetics to meet the health needs of users. In selecting offline healthcare and medical institutions for cooperation, we will evaluate and consider a series of factors such as reputation, business scale, service quality and facilities and equipment. We require offline healthcare and medical institutions to hold formal business licenses and comply with relevant laws and regulations of the state and the internal standardized service offering and pricing guidelines of Ping An Good Doctor. We will also carefully monitor customers’ feedbacks on the services provided by offline healthcare and medical institutions as a consideration factor for continued cooperation. Offline healthcare and medical institutions are responsible for the loss of customers caused by disputes or breaches of relevant responsibilities arising from the provision of relevant services.

2) Quality Control of Online Platform Products

We provide users with quality services such as family doctor, consumer healthcare, health mall, health management and interaction through mobile medical platform. We have set up a series of strict internal rules and regulations for the project establishment, R&D, testing and acceptance of online platform products to ensure the quality of product development. From R&D to marketing, Ping An Good Doctor’s online platform products need to go through the following four stages:



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3) Quality Control of Health Mall Products

Our health mall offers a wide range of products, such as medical and healthcare products, fitness products and personal care products, to meet the diverse needs of users. We comply with laws and regulations strictly, such as the Food Safety Law of the PRC (《中華人民共和國食品安全法》), the Drug Administration Law of the PRC (《中華人民共和國藥品管理法》) and the Interim Provisions for Examination and Approval of Internet Drug Trading Services of the PRC (《中華人民共和國互聯網藥品交易服務審批暫行規定》), and have formulated internal regulations to strictly manage and control merchants' activities and product quality, such as the Management Rules of Ping An Good Doctor on Merchants' Reward Points (《平安好醫生商家積分管理規則》) and the Management Rules of Ping An Good Doctor on After-sales Service (《平安好醫生售後服務管理規則》).

i. Examination of merchants' qualifications and sampling inspection

In accordance with relevant laws and regulations of the state and industry standards, we have formulated standards for the examination of merchants' qualifications and management rules for the sampling inspection of commodity quality. We examine the qualifications of suppliers and merchants, such as business licenses, brand authorization, product quality inspection reports, etc. In addition, we collaborate with third party quality inspection agencies to inspect commodities in accordance with relevant testing standards of the state by means of sample inspection before warehousing, on-line anonymous purchase of samples and key spot inspection of complaint cases.

ii. Processing of expired and substandard products

For substandard, expired or counterfeit products found in sampling inspection, Ping An Good Doctor has dedicated staff to store them in special warehouses for sample preservation, so as to avoid legal disputes when merchants appeal for follow-up examination; the storage period is 3 years and the products will be destroyed upon expiration of the period. For those merchants who sell substandard or expired commodities, we will deduct their reward points, remove their commodities, claim for liquidated damages or remove their shops in accordance with the Management Rules of Ping An Good Doctor on Merchants' Reward Points (《平安好醫生商家積分管理規則》) depending on the severity of circumstances; and for those merchants who sell counterfeit commodities, Ping An Good Doctor will terminate the cooperation with them immediately.

4) Quality Control of Medicines

We maintain strict control over the quality of our own medicines and the medicines supplied by suppliers. We comply with the Interim Provisions for Examination and Approval of Internet Drug Trading Services of the PRC (《中華人民共和國互聯網藥品交易服務審批暫行規定》) and the Measures for the Administration of Drug Trading Licenses of the PRC (《中華人民共和國藥品經營許可證管理辦法》) and other laws and regulations and control the quality of medicines strictly. We select cooperative medicine suppliers as per their business backgrounds, service capabilities, consumer awareness, market satisfaction and other considerations and choose national chain pharmacies or regional leading chain pharmacies in priority. We make regular checks for medicine inventory and remove the medicines that are close to their shelf lives or the remainder of whose shelf lives is less than one third or whose packages are damaged or stained off the shelf immediately for recycling treatment. We also manage medicines online through information system to realize medicine traceability in the process of purchasing, storing, transporting and selling and thus ensure the high quality and safety of medicines.

2. Information Security and Privacy Protection

Due to the nature of the Company's business, our online platform will generate a large amount of data. We attach great importance to users' privacy and sensitive data, strictly comply with laws and regulations such as the Regulations on Technical Measures for Internet Security Protection of the PRC (《中華人民共和國互聯網安全保護技術措施規定》) and the Regulations on Protection of Personal Information of Telecommunication and Internet Users of the PRC (《中華人民共和國電信和互聯網用戶個人信息保護規定》) and have formulated and implemented internal regulations such as the Rules of Information Security System of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司信息安全體系制度》) and the Rules of Data Security System of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司數據安全體系制度》) to ensure the effective protection of users' information.

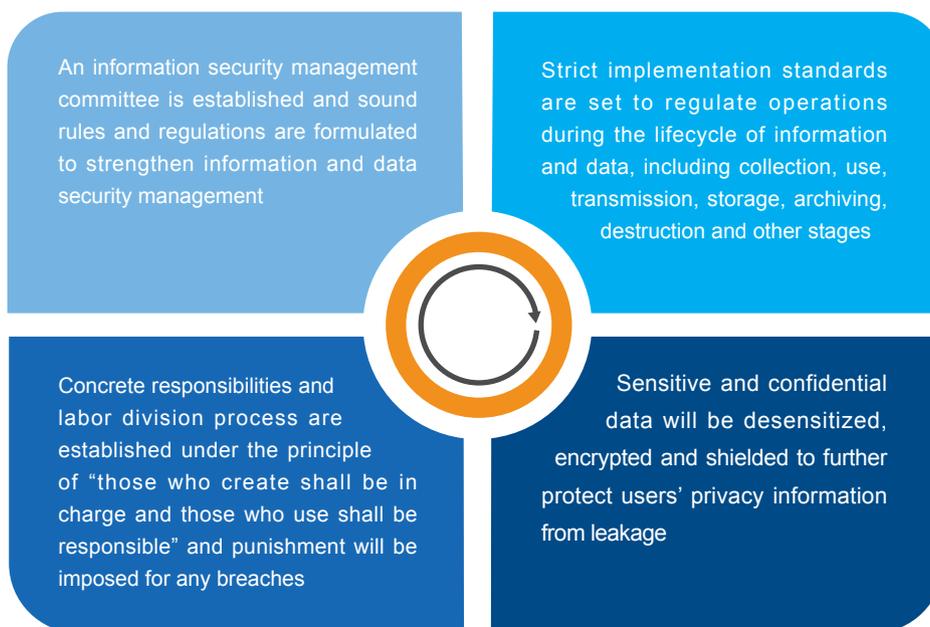
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1) Information Security System

Ping An Good Doctor has established an information security management committee, which comprises the Company's chief technical officer and heads of departments. The committee defines the development direction of the Company's information security work, reviews the overall information security risks of the Company and oversees the effective implementation of information security control measures. The Company's daily information and data protection work is managed by the technical support team.

We take the following measures to protect the security of customers' privacy and information:

- Set up a professional operation and maintenance team to comprehensively strengthen the security of the operation system and the management system and adopt split intrusion detection technology to simulate data security defense. The login system is managed by the authorization management system and all accesses to the system are monitored;
- The sensitive information and data of users (such as name, phone number, address, ID number and medical information) are encrypted before they are stored in the system and the list of sensitive fields is regularly sorted by the business team to ensure the encryption of sensitive data;
- The data analysis team extracts data through a complete authorization process. Access authorization and the time length of authorization are defined as per business responsibilities and all accesses are recorded for security audit and verification;
- The accesses of internal personnel to the systems through internal operation platform will be recorded and uploaded to the log analysis system for real-time data security analysis;
- The data cannot be extracted by external data cables and cannot be transmitted to unrelated persons remotely. Computers have watermark labels to ensure the traceability of data;
- Set strict codes of conduct for employees and stratify the authorization levels of qualifications for information data access and control and disciplinary actions will be taken for those who violate relevant rules and regulations. Set up daily responsibility rotation mechanism for data administrators to enhance their supervisory function.



2) System Protection and Computer Room Management

Our network configuration is multi-protected. We use a firewall system to effectively isolate external services from internal systems. To ensure data security and risk management, all our information and data are stored concurrently in two computer rooms for real-time backup. We have formulated the Management Rules for Health Internet IDC Computer Rooms which sets forth detailed management rules for computer rooms in respect of, among others, access rights, equipment procurement and system maintenance. In addition, the backup system is checked at high frequency and data recovery test is adopted to ensure the availability of backup data. When eliminating hardware equipment, we will ensure that the data in the equipment is physically destroyed to eliminate the risk of data leakage.

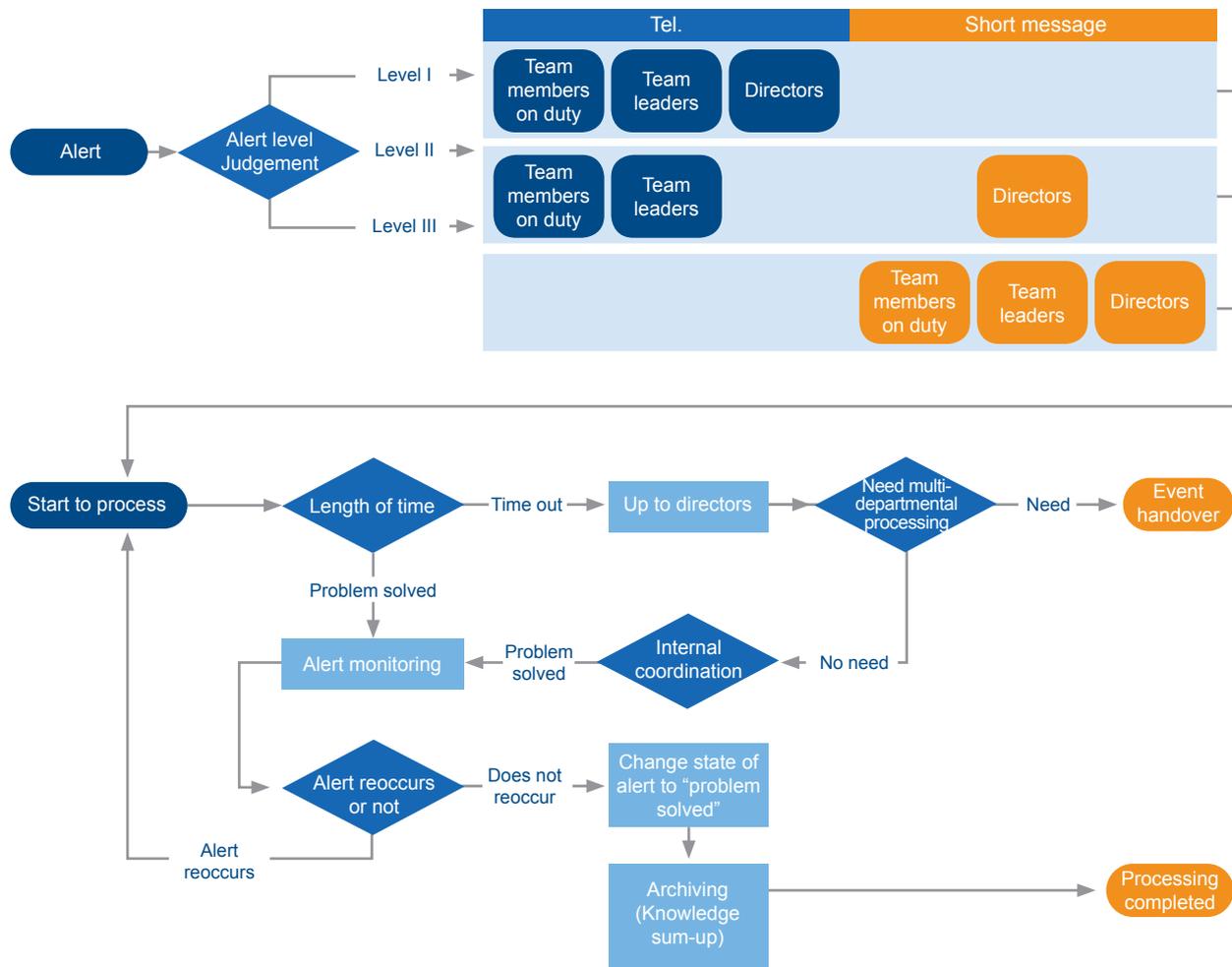
3) Emergency Plan and Disaster Recovery Exercise

To ensure the safe and smooth operation of the business system of Ping An Good Doctor and deal with potential risks, we have formulated the Health Internet System Emergency Response System which specifies the response measures and operation procedures to deal with different types of faults or failures and different levels of alerts.

- **System failure:** leaders of the Company shall organize security administrators, system administrators, network administrators and other relevant units and personnel to timely analyze the source of events, cut off the source of events, control the scope of events and stop system operation if necessary.
- **Network attacks:** system administrators shall take measures to shut down or isolate the attacked targets, check in detail whether the attacked system has malicious code, change passwords to enhance the security and defense strategies and back up the system and data urgently if necessary; network administrators shall isolate the source of the attacks, analyze the reasons, stop the attacks and adjust the security and defense strategies; network administrators, system administrator and security administrators shall restore the online operation of the system after a security assessment.
- **Virus outbreak:** back up important network servers and business application systems urgently to prevent data loss caused by viruses, suspend system operation if necessary, analyze the causes and means of dissemination of viruses and take remedial measures to correct irregularities.
- **Network equipment and application server anomalies:** the operation and maintenance team shall organize security administrators, system administrators and network administrators to analyze the causes of the anomalies; release information in a timely manner, notify and announce the causes of the anomalies, counter measures and time of recovery; start up standby equipment in a timely manner and report equipment failure for repair purpose (in case of hardware failures); debug the equipment or servers urgently as per the severity of failure or restore data from the latest backup (in case of software failures).

For emergencies arising in the process of operation and maintenance, we classify them into level I, level II and level III emergencies for alerting purpose depending on specific situations. We define in details the types, contents, personnel responsibilities, response time and processing time of alerts at all levels to ensure that, when failures and emergencies occur, every department can fix the failures in an orderly manner and repair their systems in a timely manner.

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On 13 October 2018, Ping An Good Doctor participated in a joint disaster recovery exercise of Ping An Insurance (Group) Company of China, Ltd. (hereinafter referred to as "Ping An Group"). By formulating a detailed disaster recovery exercise plan and having gone through event upgrading, DRMT decision-making, strategy formulation, recovery validation and other processes, the technical support team of Ping An Good Doctor acquired practical experience in processing failures and enhanced its capability to prevent data information risks.

Case Sharing

2018 Information Security Knowledge Contest

With an aim to further strengthen the Company's information protection work, enhance the information security awareness and safeguarding skills of all employees, strengthen employees' sense of responsibility and thoroughly implement the general requirements of the Network Security Law of the PRC (《中華人民共和國網絡安全法》) concerning security knowledge training and education, the Company held an information security awareness evaluation contest under the theme of "Information Guardians" from 12 November to 23 November 2018. By participating in the information security awareness evaluation, employees may have an understanding of their weak points in security awareness, test their awareness, knowledge and capabilities in information safeguarding and their knowledge of relevant laws and regulations and thus further strengthen their senses of responsibility to become the firmest guardians of personal, customer and company information.

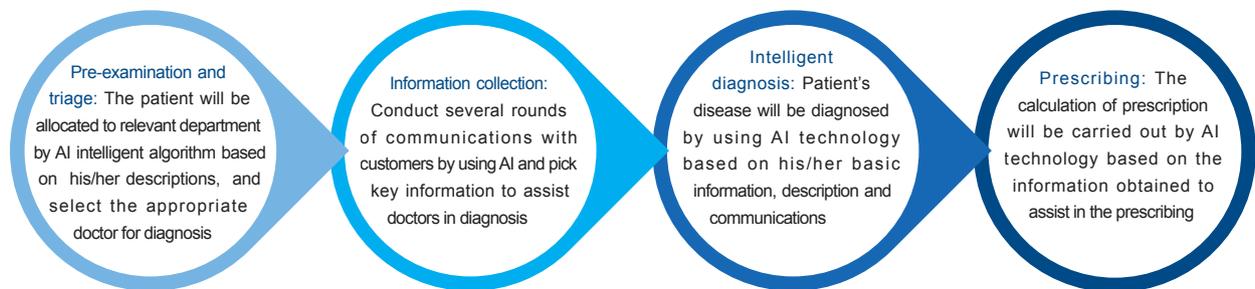
3. R&D and Application of AI Technology

In view of the current pain points of the healthcare industry of China, we have made great efforts in the research and development of AI technology with an aim to applying AI technology in the provision of Internet healthcare services to create an optimal “Internet + AI” solution. We integrate AI technology with different scenarios of various businesses and vigorously promote technological innovation to realize precise diversion in online consultations, health mall operation, offline consultations and other aspects, so as to achieve the goal of saving resource and enhancing efficiency. Our self-developed technologies include:



1) AI Assistant

We have independently developed an artificial intelligence assistance system “AI Assistant” for online diagnosis services, to assist the medical team in conducting preliminary diagnosis and collecting user symptoms, medical records and other health data. After collecting and analyzing user data, the AI Assistant performs an intelligent analysis path to direct the patient to the most relevant department or doctor and provide relevant information and advice to the medical team, greatly improving the doctor’s diagnosis efficiency and the user’s diagnosis service experience. As of 31 December 2018, we have built a disease database containing more than 29,000 diseases certified by the *International Classification of Diseases (10th Revision, Clinical Modification)* for AI Assistants to learn and continue to improve the efficiency and accuracy of its services.



2) One-minute Clinic

The “One-minute Clinic” is the first unmanned clinic in the PRC that is developed and operated by the Company, including “smart medicine cabinet” and “standalone consultation room”. The “One-Minute Clinic” uses AI technology for smart consultation, accurately understands need of patient through context analysis and low-dimensional dense semantic analysis processing, sorts out the patient’s disease condition and then automatically transfers him/her to the doctor in the relevant department for diagnosis. The intelligent



and quick diagnosis will be made through communications with the doctor on cloud-based platform by using AI technology, greatly improving the efficiency of the diagnosis. Upon completion of the diagnosis and payment, the patient can use the medicine-taking code to take the medicine in the “smart medicine cabinet” nearby, and the whole process of medical treatment is completed in a simple and quick way, so that the patient is able to consult and purchase medicine anytime and anywhere. Currently, the “One-minute Clinic” has a network that covers enterprises, large communities, medicine chain stores and areas with high way services. It will cover more public service facilities such as malls, airports and railway stations.

3) Modern Hua Tuo Program

In order to use AI to standardize and intelligentize TCM, Ping An Good Doctor has adopted the “Modern Hua Tuo Program”, and successively launched Smart TCM Diagnosis through Tongue Observation (Inspection), Smart TCM through Auscultation and Olfaction (Auscultation and Olfaction), Smart TCM Diagnosis through Inquiry (Inquiry), and Smart TCM Diagnosis through Pulse-taking (Pulse-taking and Palpation) corresponding to the diagnosis ways of TCM, namely “Inspection, Auscultation and Olfaction, Inquiry and Pulse-taking and Palpation”, which can simulate TCM practitioners to conduct inquiries before the diagnosis to collect the information of medical history in terms of four ways of TCM diagnosis, generate a structured medical history that conforms to the case specifications through comprehensive analysis and inferential diagnosis, and transmit the results of the four ways of TCM diagnosis analysis to the doctor platform, and intelligently recommend TCM prescriptions for doctors to choose, thus effectively improving the patient’s medical experience.

- **Smart TCM Diagnosis through Tongue Observation:** Obtain the user’s information such as tongue color and tongue coat condition by analyzing his/her tongue image;
- **Smart TCM through Auscultation and Olfaction:** Identify whether the user’s constitution of TCM is Qi depression (obstruction of the circulation of vital energy), Qi deficiency (deficiency of vital energy) or Yang deficiency (lack of vital energy) by collecting his/her voice and performing AI analysis, to diagnose disease through auscultation;
- **Smart TCM Diagnosis through Inquiry:** Generate patient’s structured medical history for doctors’ reference by conducting convenient human-computer interaction via AI Assistant;
- **Smart TCM Diagnosis through Pulse-taking:** The intelligent pulse diagnostic system device with pulse recognition function is introduced to simulate the pulse diagnosis process of TCM practitioners, and the pulse diagnosis results and graphic data are automatically delivered to the user’s mobile phone and practitioners on the cloud-based platform for auxiliary diagnosis and treatment.

The 5th World Internet Conference • Wuzhen Summit

On 7 November 2018, the 5th World Internet Conference • Wuzhen Summit was opened. As one of the world's most eye-catching Internet events, this World Internet Conference brought together the world's top Internet and innovative companies to showcase their state-of-the-art scientific and technological achievements in the Internet technology sector worldwide. At this conference, Ping An Good Doctor displayed the four major first-in-class healthcare science and technology achievements in the PRC: One-minute Clinic that can diagnose patients remotely and take medicines on the spot, Intelligent Pulse Diagnostic System device that can take pulse remotely and empower TCM by using AI, AI Assistant Diagnosis System that can interact with patients prior to the diagnosis to improve the efficiency of doctors and hospitals; and Smart Bluetooth Headsets that can protect hearing. A wide range of application scenarios empowered by the advanced "futuristic tech" has attracted many on-site visitors to take a try, and feel the charm of healthcare technology that reshapes people's future life. On 8 November 2018, Mr. Wang Tao, Chairman and CEO of Ping An Good Doctor, delivered a speech at the "Internet + Public Service" Forum themed "performance, collaboration and innovation". In his speech, Mr. Wang Tao stated that the only way to address the two pain points of healthcare services of scarcity and uneven distribution in the quality healthcare resources and poor experience with healthcare service is to fully apply "Internet + AI" technology to improve the efficiency and service level of the entire industry, and thereby reshape the form of business of the entire healthcare services market. Looking forward, Mr. Wang Tao believes that more and more people will experience the changes in the healthcare service brought by "Internet + AI". At that time, every average Chinese has access to family doctor services and enjoy quality healthcare services.



4. Intellectual Property Rights Management

Ping An Good Doctor attaches great importance to the management and protection of intellectual property rights, and strictly abides by the Patent Law of the PRC (《中華人民共和國專利法》), the Trademark Law of the PRC (《中華人民共和國商標法》) and the Copyright Law of the PRC (《中華人民共和國著作權法》) and other laws and regulations to protect the Company's legal rights and interests and the order of Internet-based healthcare market. The Company's intellectual property management work is led and coordinated by the Legal Compliance Department. The Legal Compliance Department and other business departments work together to sort out the application need of intellectual property, determine the intellectual property items to be applied for, and cooperate with external intellectual property agencies to carry out the work related to intellectual property applications.

As of 31 December 2018, Ping An Good Doctor has lodged registered a total of 181 patent applications, owned 45 registered trademarks, and 119 trademarks are under application. In addition, Ping An Good Doctor also owned 25 authorship copyrights and 19 computer software copyrights.

Taking People-oriented Responsibility to Facilitate Staff Development

Ping An Good Doctor adheres to the people-oriented principle and regards its staff as the cornerstone of the Company's sustainable development and the most valuable assets. We strictly follow the labor code, value and protect the legal rights and interests of each staff; we attach importance to the development and training of our staff, provide our staff with a variety of training and promotion channels; meanwhile, we emphasize the physical and mental health of our staff, devote our efforts to strike the balance between work and life and create a cozy and harmonious working environment for our staff.

1. Talent Team Construction

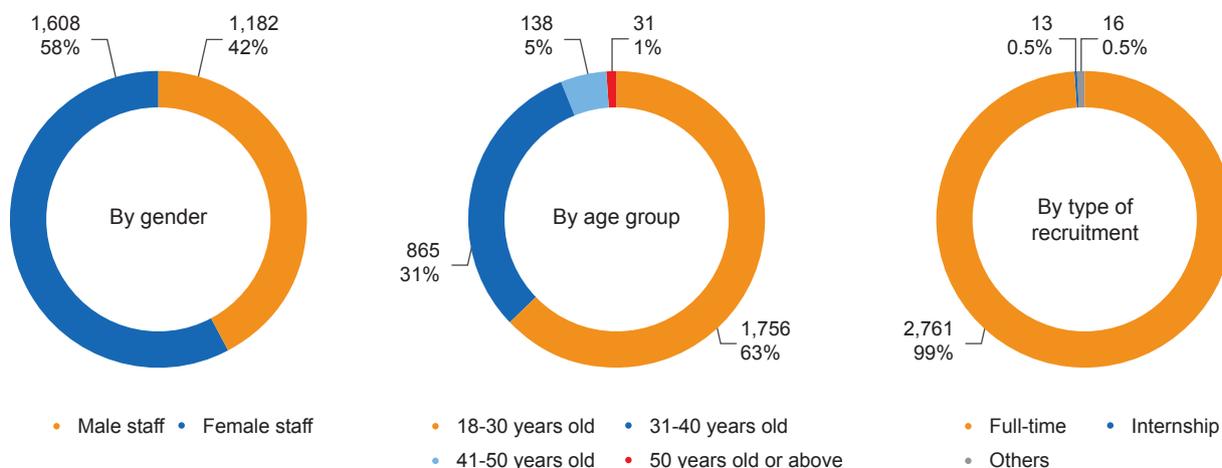
Ping An Good Doctor strictly abides by the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) and other laws and regulations, and formulates and implements a series of its internal systems, such as the Recruitment Management System of Ping An Health Cloud (《平安健康互聯網招聘管理制度》), the Remuneration Management System of Ping An Health Cloud (《平安健康互聯網薪酬管理制度》) and the Employee Handbook of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工手冊》). In 2018, we continued to optimize the relevant systems for talent team construction, provide a sound development platform for employees, and build the core competitiveness of the Company.

1) Recruitment

Ping An Good Doctor adheres to the principle of fair and equitable recruitment, and formulates an annual recruitment plan based on the operating conditions, staff turnover and development strategies of the Company, and introduces and reserves high-calibre talents for the Company through social recruitment, on-campus recruitment and internal referring. Meanwhile, the Company has formulated the HR Operation Manual for Recruitment Management of Ping An Health Cloud (《平安健康互聯網招聘管理 HR 操作手冊》) and Appraising Officer Management Measures of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司核人專員管理辦法》), which regulate the management of recruitment channels, recruitment planning and recruitment standards to ensure the recruitment will go smoothly and not be influenced by factors such as nationality, race, marital status, age, gender and religion. We also strictly complied with national regulations and prohibited the use of child labor. During the Reporting Period, the Company did not recruit any child labor.

As of 31 December 2018, Ping An Good Doctor had 1,295 employees in total, and the total number of employees of the Company was 2,790.

Environmental, Social and Governance Report



Case Sharing

On-campus Recruitment Fair in 2018

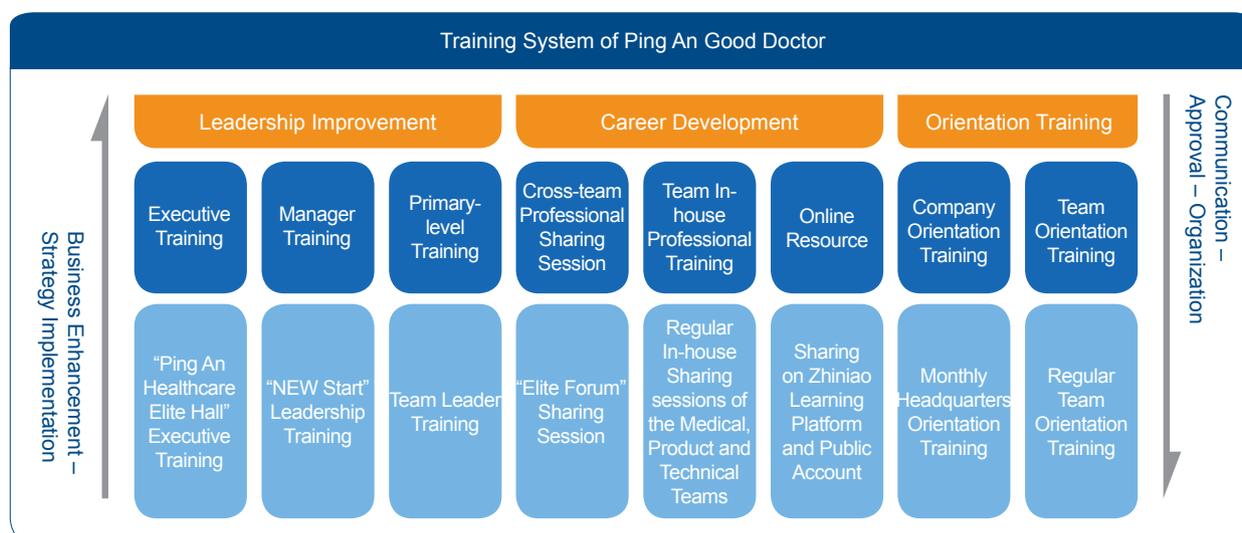
From November to December 2018, Ping An Good Doctor organized on-campus recruitment fairs and career talks at universities in Shanghai, Guangzhou, Beijing, Hefei and Qingdao. At the event site, the heads of the Company's business departments actively interacted with the students and exchanged ideas on career development and business. The fairs were in a lively and festive atmosphere and fully demonstrated the good corporate image of Ping An Good Doctor.



2) Staff Training

Ping An Good Doctor attaches great importance to the continuous development of its employees and the improvement of individual values. By integrating internal and external resources, we established a multi-level training system for employees in different fields and at different levels, bringing continuous drivers for its employees' career development.

Based on the principle of "useful, down-to-earth and light training", the Company has established three major training systems covering online and offline channels, which are led by the Company, HR and departments.



The Fifth Section of Training of “NEW Start” Mid-level Leadership in 2018

On 24 November 2018, the fifth section of training course for the “NEW Start” Mid-level Manager Leadership Development Project was officially launched by Ping An Good Doctor. The training was organized for 45 new mid-level managers and has implemented a face-to-face training course, Coaching and Incentives for Employee Growth (《助力員工成長的輔導與激勵》). The training stimulated the trainees’ thinking and discussion from the “Leader Role in the VUCA Era”, and then brought in the topic of “coaching and incentives”; through career-driven testing and interpretation, it analyzed the incentives for different employees from the perspective of career drivers; it also focused on explanation on listening, questioning, feedback and other coaching processes, as well as coaching tools such as the GROW model. After explanation and discussion on the tools, the teacher guided everyone to understand the essence of the application of the tools through the case exercises, and conducted intensive exercises of coaching and incentives dialogues in the follow-up practice seminar. After the training, based on their feedback, the trainees still longed for more, and hoped that there would be more opportunities to discuss and exchange experiences on how to coach subordinates and motivate new generation employees.



Medical skills training in 2018

On 18 December 2018, Ping An Good Doctor organized the training about “Gene Detection Plus for Drug Safety in Children”, and a total of 124 pediatricians, tutors and assistants coming from five cities, namely Shanghai, Guangzhou, Beijing, Qingdao and Hefei, participated in the training. This training is specialized for “Gene Detection Card for Drug Safety in Children”, the newly launched product of Ping An Good Doctor. It aims to allow pediatricians and assistants of Ping An Good Doctor getting a better understanding of the importance and safety of drug in children, and mastering the professional answers and skills for guiding patients. This training deeply explained children’s drug metabolism difference caused by genetic difference and relevant detection focus, usage and dosage and adverse condition, etc., achieving the goal of improving profession of inquiry service and customer experience.



Zhiniao online learning platform, and build a medical air classroom

The staffs obtained online training through the internal Zhiniao online platform of Ping An Good Doctor, which make the training time more flexible and learning style more diversified. In 2018, there are 2,306 active users learning online, the average active rate is 90% and each person learning 7.5 courses per month. In which, the medical team built an air classroom in Zhiniao platform and set training courses and assessment for medical assistants covering the learning of new assistants from 11 departments such as obstetrics and gynecology department, pediatrics department, dermatology department, internal medicine department and surgical department, and the courses contents covering medical professional knowledge, basic operation of inquiry platform, AI inquiry sample cases and other core professional knowledge. The launch of air classroom shortened the post-suited cycle of new assistants and significantly improved the overall training efficiency.

In 2018, the Company organized a total of 417 offline trainings.

By gender	Percentage of trained employees	Per capita training hours (hour/person)
Male	94.4%	45.8
Female	99.9%	83.1

3) Talents Promotion

The Company formulated and implemented Personnel Promotion Management Rules of Ping An Health Cloud (《平安健康互聯網人員晉升管理規則》) internally, which formed a standardized and strict promotion system. The Company's promotion management has divided into three types, namely junior promotion, intermediate promotion and class promotion, by positions, and the Company formulated detailed assessment mechanism and process, respectively.

- **Junior promotion:** the candidate to be promoted was nominated by department manager, and the staffs summarized on four parts including his/her prior performance, important projects, future plans and self-evaluation of values. The evaluation committee made an anonymous score on his/her comprehensive quality and made decisions. The staffs passing appraisal would be assessed by HR and taken office based on the appraisal and assessment results;
- **Intermediate promotion:** the candidate to be promoted was nominated by department manager, and the staffs provided work report, and the cross-evaluation committee consisting of branch directors, direct directors and cross department directors conducted cross evaluation on the candidate being nominated. The evaluation committee conducted cross evaluation on the total quality and the one passed will be assessed by HR and take office;
- **Class promotion:** the candidate to be promoted was nominated by department manager, and the staffs submitted personal work summary and work report. HR conducted online 360-degree evaluation on the staffs being nominated and conducted offline discussion in conjunction with business party. The cross-evaluation committee conducted cross evaluation on the comprehensive quality and prior performance, and the one passed will be assessed by HR and take office.

Ping An Good Doctor ensured to select talents fairly and squarely base on merits by setting clear vocational development channels and standardizing promotion and selection process, allowing the staffs deeply feel its respect and attention on him/her and promoted the healthy competition between staffs. In 2018, we organized a total of 672 promotion evaluation and 49 class promotion cross evaluation, updated and refined the quality model of evaluation, and enhanced the progress and quality control on various promotion system. Meanwhile, we provided job rotation and job transfer opportunity based on the business demand and staff performance in order to motivate staffs' potential to the largest extent.

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4) Performance Appraisal

The Company has formulated and conscientiously implemented the Performance Accountability Management System of Ping An Health Cloud (《平安健康互聯網績效問責管理制度》) to conduct regular assessments of its employee's performance and set up a continuous and open communication and coaching channels for all levels of staff and a performance-oriented competitive and incentive mechanism.

- The direct leader is the appraiser of the employee. Prior to the beginning of each financial year, the two parties will reach a consensus on the employee's Key Performance Indicators (KPI), key work plans and detailed actions, specify the action plan and enter them in the performance management system;
- The 5th day of each month is the performance appraisal day of the Company, the direct leader will conduct routine performance review and coaching for all employees, and stimulate employees to improve their high-performance output;
- We will conduct semi-annual and annual performance appraisal rankings each year. The results of the appraisal are used as basis for assessment of salary increase, promotion and re-employment. The direct leader will communicate with the employees in respect of the appraisal results to stimulate and facilitate the enhancement of employees' ability;
- Employees who were found failed to meet the requirements for their current posts during the performance appraisal will be recorded as "incompetent personnel". The Company will carefully consider whether the employment contracts with them shall be renewed when these contracts shall expire in the near future. If the Company decides that these contracts should not be renewed, arrangements will be made that these employees will be transferred to other posts or subject to training. The Company will terminate these employment contracts in accordance with the laws and regulations when these employees failed to meet the requirements following those arrangements.

2. Employee Rights and Interests

Ping An Good Doctor has strictly complied with relevant laws and regulations as well as internal rules such as the Compensation Management System of Ping An Health Cloud (《平安健康互聯網薪酬管理制度》) and the Employee Incentive Plan of Ping An Health Cloud (《平安健康互聯網僱員激勵計劃》), and established a comprehensive salary and welfare system to provide a strong guarantee for its employees.

1) Compensation and Benefits

The Company has established the compensation system of "cash salary+ welfare + long-term incentive". By reference to the salary level of talent in the Internet-based healthcare industry, the Company has developed competitive salary standards for its employees at different levels and with different job functions. Employees' salary reviews and bonuses are linked to performance appraisal. Meanwhile, the Company will also grant share options to its employees based on their overall performance in order to attract, motivate and retain high caliber talents.

The Company has set up a diversified welfare system. Subject to comply with the relevant provisions of national laws and regulations, the Company offers additional benefits such as annual leave, commercial insurance, enterprise annuity, heat allowance, birthday, marriage and childbirth allowance, hospitalization and funeral consolation, and values the vital interests of its employees.

2) Overtime Management

The Company has formulated and implemented the Employee Overtime Management System of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工加班管理制度》) in compliance with relevant national laws and regulations, and strictly managed overtime work with the principle of "plan before you act and dual approval at two levels". For the overtime work approved, employees shall be given compensation leave or salary subsidy in accordance with the regulations. During the Reporting Period, the Company did not experience any forced labor.

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3) Equality, Pluralism and Anti-discrimination

Ping An Good Doctor is committed to creating a fair and democratic employment environment for its employees, and resolutely treats every employee equally in terms of employment, compensation and benefits and promotion, and opposes any form of discrimination. During the Reporting Period, we did not receive any complaints about employment or infringement of employee rights.

3. Occupational Health and Safety

We strictly abided by the Occupational Disease Prevention and Control Law of the PRC (《中華人民共和國職業病防治法》) and the Safety Production Law of the PRC (《中華人民共和國安全生產法》) and other laws and regulations, refined various safety management and training systems on an on-going basis, and were committed to creating a healthy and safe working environment for our employees. During the Reporting Period, we did not experience any work-related injury and fatal accidents, and the lost time due to work-related injuries was zero.

1) Occupational Health

Ping An Good Doctor paid close attention to the physical and mental health of employees. In addition to the annual health check-up and commercial insurance, we also offered various health and welfare measures for our employees to meet their needs.

We collaborated with external service providers to provide psychological counseling services to our employees – “Xinqing Hotline (心晴熱線)”. The hotline service is available 12 hours a day, 365 days a year, and the privacy of our employees is tightly protected. Our office building has an infirmary that provides free-of-charge medical advice and medicines to our employees. We also have a TCM massage room to offer spine care for our employees, alleviating the fatigue of long-term sedentary work. We advocate the combination of work and rest, and also make the leisure facilities such as table tennis room and billiard room open to our employees to relieve stress and adjust mood.

In addition, in respect of our employees' visual fatigue, cervical disease and other issues caused by long-term use of computer and work at a desk, we guided our employees to relax physically and mentally and prevent disease, by airing the audio and video of eye exercises and shoulder and neck exercises on radio and television at 3:30 pm every day.

2) Occupational Safety

We attach great importance to fire safety and strictly abide by the Fire Service Law of the PRC (《中華人民共和國消防法》) and the Emergency Response Law of the PRC (《中華人民共和國突發事件應對法》) and other laws and regulations by conducting fire inspections on a regular basis, organizing fire drills, conducting training for fire control for our employees and strengthening fire safety prevention and control awareness of our employees.

From 1 November to 30 November 2018, we held the “Fire Safety Publicity and Education Month” special event, which comprises of:

- organizing fire safety training for our major first-line staff such as security guard and cleaner in the administrative office to improve their abilities to identify and eliminate the risk of fire and organize to put out fire at initial stage;
- organizing our staff in the administrative office to watch the historical cases of fire accident for warning education and analyzing the causes and negative impacts of each accident;
- engaging external professional fire instructor to give a special fire prevention lecture to the major evacuation conductors of fire service company in the office building and analyzing the fire situation in 2018 to understand the basic knowledge of fire safety, master the basic skills of fire escape, increase the fire alertness and consciousness and enhance the performance of mass prevention and mass treatment;
- strengthening the practical training of the volunteer fire brigade to ensure that each team member shall be able to handle the fire at its initial stage, be proficient in using fire-fighting equipment, and guide staff to evacuate safely. We reinforced our on-duty

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and emergency preparedness work with the goal of “response within 1 minute, on-site rescue within 3 minutes” to improve the emergency response capability of the mini-fire station, and truly play the role of mini-fire station to extinguish small-scale fire at earliest possible time;

- conducting annual fire drills to clarify the duties of each position to improve the firefighting skills of volunteer firefighters and their ability to organize to put out fire at its initial stage.



4. Humanistic Care

We earnestly fulfill people-oriented responsibilities and strive to offer our employees all-round care to enhance the vitality and sense of belonging of our employees.

1) Caring for Women

We emphasize particularly on the special needs of female groups and attach importance to the welfare of female employees. The office building of the Company has a safe, convenient and fully-equipped baby care room to meet the needs of mothers for continuous breastfeeding. We regularly organize various activities that focus on the rights and interests and development of female employees, and care for the physical and mental health of female employees.

Case Sharing

Women's Day activities on 8 March

On 8 March 2018, Ping An Good Doctor held the Women's Day event. The Company prepared exquisite holiday gifts for our female employees, and also invited well-known makeup artists, hair stylists and manicurists to provide services for our female employees during lunch breaks. The event was in warm and festive atmosphere and was well received by our colleagues, and has enhanced satisfaction of our employee.



2) Clubs and Festivals

We advocate a balance between work and life. We have established basketball, football, swimming, badminton and other clubs in our Company, and funded various clubs and recreational activities to enrich employees' lives and enhance their life experience. Every holiday, we also offer a variety of holiday greetings and gifts and hold various celebration activities for our employees to create a harmonious corporate atmosphere.

Case Sharing

Appreciation with a Letter in Mid-Autumn Festival

On 17 September 2018, the Company held the theme activity of "Appreciation with a Letter in Mid-Autumn Festival". We have customized exclusive holiday greeting postcards, Mid-Autumn Lava Egg Custard Mooncake Gift Boxes and Hairy Crab Gift Packages for our employees, to show warmth and care to every staff of Ping An Good Doctor.



5. Employee Satisfaction and Employee Complaints

The Company attaches great importance to listening to the voice of employees, and strives to collect and encourage employees to provide feedback and suggestions. We are committed to ensure the smooth communication channels with employees and ensure that employees' demands are responded.

1) Satisfaction Survey

We conduct annual surveys on job satisfaction and performance appraisal satisfaction, and collect and listen to employees' voices through questionnaires, emails, telephone calls and interviews. At the same time, we understand the needs of employees based on the results of the satisfaction survey, and review and improve our management and operation.

2) Appeal Channel

The Company has established Complaints and Appeal Work Management System of Ping An Health Cloud (《平安健康互联网信访工作管理制度》) to ensure the smooth flow of employee complaints. When employees disagree with the ways of operation and management of the Company or the conducts of its departments, employees and agents in performing their duties, or wish to make suggestions for these issues, they can file a complaint with the Company's complaints and appeal department through written, telephone, email and face-to-face interviews.



Service Responsibility to Protect Users' Rights and Interests

Understanding user needs and listening to user feedback is critical to the sustainability of our business. We strive to create a variety of communication channels, to understand the voice of users, meet the diversified needs of the public, and strive to provide quality services to satisfy users.

1. User Experience and Demands Research

We have a user experience department to optimize and improve interaction design and visual design to enhance user experience. We use Net Promoter Score system (NPS), to understand the user experience and appeals by designing contact problems, and set performance appraisal indicators for each business unit based on NPS to manage and improve product quality and user experience through the weekly assessment, monthly inspection and semi-annual summary.

In order to better understand the user's ideas and suggestions, we also conduct research on user needs through User Day Survey. We hold User Day Survey once a month, and invite 6-10 users and conduct focus groups and one-on-one interviews for the business that management focuses on recently. After the interview, the project team sort out and discuss results, and conduct the online tracking mechanism to follow up the progress of each improvement point. The special research is requested by the business department to be conducted in a variety of research methods such as online questionnaires, telephone interviews and offline interviews with reward mechanism to encourage users to give feedback and suggestions. The results of User Day research and special research will be combined to form a research report as a basis for optimizing and upgrading products and services by each team.



2. Customer Satisfaction Survey and Complaint Handling

We pay high attention to our customers' satisfaction related to our services and relevant complaints to help us review ourselves and improve the quality of our business. Our online medical consultation and other businesses use user evaluation system to collect user feedback through APP online ("APP") scoring, SMS push messages and phone scoring. In 2018, our medical consulting service satisfaction reached 98%.

Users can communicate with or complain to our customer service representatives through the instant messaging system, phone, email and correspondence in Ping An Good Doctor's mobile platform. We have various systems, such as Store First-line Work and Order Planning of Ping An Health Cloud (《平安健康互聯網商城一線工單作業規劃》), Electric Business Medical and General Processing Process of Ping An Health Cloud (《平安健康互聯網電商醫療及普通類的處理流程》) and Quality Management and Control Operation System of Ping An Health Cloud (《平安健康互聯網質量管控作業制度》), which clearly define different types of customer complaint handling processes and quality management and control mechanisms.

The complaint cases are categorized into primary and secondary category by the customer service personnel according to the situation, and the feedback and processing are carried out according to the specified time limit. The customer service department has full-time quality inspector, who regularly checks the service cases of the first-line and second-line customer service personnel according to the quality inspection standards. The quality inspectors classify and register the service cases according to the sampling situation to form a report, and follow-up tracking and feedback for the error cases to ensure that the problem is solved.

In 2018, our customer service team served 1,098,094 people. The complaint response rate was 100%.

Environmental Responsibility to Guard Green Home

Increasingly severe environmental pollution and climate change are common issues for all human being. Adhering to the concept of green development, Ping An Good Doctor resolutely assumes the responsibility as a corporate citizen. We strictly adhere to the Environmental Protection Law of the People's Republic of China, Energy Conservation Law of the People's Republic of China and other laws and regulations, and attaches great importance to environmental protection and energy conservation and emission reduction. We did not have any difficulty in tapping water from appropriate water sources during the reporting period.

1. Paperless Office

We advocate paperless office approach. Through use of the online platform EOA system, we focus on a series of tasks such as document processing, matter processing, and fee application, covering various segments such as document approval, system management, document tracking, document retrieve and authorization. In addition to bringing convenience for employees, simplifying workflow greatly reduce the use of printing paper and the generation of garbage in line with the Company's green operating philosophy.

2. Energy Saving and Consumption Reducing Measures

The Company actively carries out education and publicity related to energy saving and consumption reducing, and implements it in all aspects of daily work as part of our efforts in improving efficient utilization of resources. The Company has posted water-saving signs in the restrooms and tea rooms; posted reminder in the document print district to encourage fully use of paper; and register the collection of hospitality supplies, such as mineral water, to control consumption. The lamps and electrical appliances installed by the company are energy-saving products; and the administrative department is required to conduct inspections and power-offs on weekends and legal holidays to reduce energy consumption.

3. Waste Treatment and Resource Recovery

The waste generated during the daily operation of the Company is mainly non-hazardous waste. Most of them come from daily office waste and personal waste of employees. The harmless waste will be recycled and uniformly processed by the property management company. For a small amount of hazardous wastes that are prone to environmental pollution, such as printer cartridges, the supplier's professionals regularly recycle and reuse the cartridges, to increased utilization rate of resources and minimize impact on environment.



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2018 Environmental Key Performance Data

Key Performance Indicator	Unit	Usage/Emission
Greenhouse gas emission	tonnes	4,748.35
Greenhouse gas emission intensity	tonnes/person	1.96
Total hazardous wastes	tonnes	0.19
Density of hazardous waste	tonne/person	0.000079
Office waste	tonnes	142.36
Electricity consumption	kilowatts/hour	5,873,877.66
Electricity consumption intensity	kilowatts/person	2,422.22
Indirect energy consumption	GJ	21,145.96
Total energy consumption	GJ	21,145.96
Energy consumption intensity	GJ/person	8.72
Total water consumption	cubic metres	23,236.6
Water consumption intensity	cubic metres /person	9.58

Notes to environmental data:

- The environmental data collected covers the period from 1 January 2018 to 31 December 2018. The relevant data is collected from offices at Xu Hui and Ri Yue Guang of Shanghai, and offices in Beijing, Guangzhou, Qingdao and Hefei of Ping An Healthcare and Technology Company Limited.
- Greenhouse gas emission (Scope 2) comes from purchased electricity. The relevant emission factors are determined under the Reporting Guidance on Environmental KPIs from the Hong Kong Stock Exchange, while emission factors of greenhouse gas for electricity purchased are determined under 2017 Emission Reduction Projects - Emission Factors for Purchased Electricity within Mainland China from the Ministry of Ecology and Environment of the People's Republic of China.
- The energy consumed by the Company in 2018 is purchased electricity. Consumption factors are determined under the General Principles for Calculation of Total Production Energy Consumption (GB2589-2008T).
- Office waste is a non-hazardous waste generated in the office area.
- Density value is calculated based on the total number of employees in all working areas.



Social Responsibility to Establish Harmonious Community

Ping An Good Doctor firmly believes that our social responsibility is the foundation of the Company. While paying attention to operation performance, we actively give back to the society, pay attention to people's livelihood issues, and contribute our own strength for the harmonious development of society.

1. Village Medical Project / Country Good Doctor Support Program

The uneven distribution of medical resources and poor experience in medical services are two major problems that plague the medical market. Remote rural areas are facing with more severe challenges. In order to alleviate the people's difficulty in getting medical treatment and promote health and fair development of China's medical industry, Ping An Good Doctor actively responded and participated in the "Village Medical Project" of Ping An Group. In January 2018, the "Village Good Doctors Support Program" was launched to help rural medical services upgrade by giving full play to its own technology, products and platform advantages, integrating high-quality medical technology, doctor resources, equipment and pharmaceutical resources, and using the Internet medical platform as a bridge to transport urban high-quality medical "nutrients" to rural areas.

Through cooperation with pharmaceutical companies and the integration of supply chains, we have launched a batch of smart medicine cabinets in rural areas to provide village doctors with necessary medical resources and partial subsidies, and strive to alleviate the problem of lacking medicines in village doctors' practicing. our Company provided professional equipment for poor villages to improve and upgrade the condition of the original rural clinics and comprehensively improve the level of primary medical hardware in such rural areas.

In order to help the village doctors to improve their professional skills and use technologies in medical treatment, we have developed the exclusive APP for the village doctors to connect with the national famous doctors online and provide one-on-one professional guidance for the village doctors; we also set up a training platform in the APP, to provide systematic training courses for professional general practitioners and specialists, as well as remote training of multiple scenarios, as a result, village doctors can be improved comprehensively with the latest medical information, cases and data provided by such training.

In addition, we also organized excellent medical teams to enter the assisted areas to personally give instruction and explain technology for medical personnel, and strived to promote rural medical services and talent development. From August 27 to 31, 2018, Ping An Good Doctor, Insurance Company of China, Ltd., and Ping An International Financial Leasing Co., Ltd. jointly formed the "Village Medical Project" project group, to provide professional training for 600 village doctors from Longsheng Autonomous County of Guilin, Pinggui District of Hezhou and Tiandong County of Baise city in Guangxi. This training covers how to use the village doctor's exclusive APP, health testing machine, medical and video machine and how to interpret the health test report with the aim of enabling village doctor to familiar with the use of various advanced technologies and equipment provided by the project team and provide better medical and health services for local villagers.

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As of December 2018, in the “Village Medical Project” we had donated over 100 sets of medical equipment to 32 clinics of poverty-stricken villages in Guangxi, trained 1,613 village doctors and launched a series of health tests at various points for nearly 4,000 villagers. We have also developed exclusive APP applications for village doctors and organized medical teams to conduct face to face training for village doctors so as to improve the professional capabilities of the primary-level medical service personnel. In the future, we will continue to provide equipment upgrading, invest and establish smart clinics for remote and impoverished areas, and offer free medical consultations, with an aim to help village doctors grow into excellent primary-level medical service personnel and achieve a gradual improvement in rural medical health.



2. China's Top Doctor Released Jointly with Hurun

On 18 January 2018, Ping An Good Doctor and Hurun Rich List (《胡潤百富》) jointly published the list of Chinese doctors. We established a committee by inviting more than 300 medical experts of 30 departments from 20 cities, such as Beijing, Shanghai and Chengdu, to conduct a comprehensive survey of experts' mutual evaluation, peer review, and word-of-mouth on nearly 12,000 selected doctors. Finally, nearly 6,000 outstanding doctors were selected to enter the list. The release of the list of good doctors aims to make it easier for hundreds of millions of users to find good doctors around them. It is an active attempt of the Company to put the wisdom of famous doctors together to improve the efficiency of famous doctors and to transfer valuable medical resources to general preferential medical treatment. At the same time, with Hurun's strong brand influence, we commend outstanding practitioners in the medical industry and encourage them to continue to serve the society and promote the development of the medical industry.



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3. Shanghai Marathon Sponsorship

On 18 November 2018, Ping An Good Doctor and Ping An Group jointly sponsored the “2018 Shanghai International Marathon” (hereinafter referred to as “Shang Ma”) to advocate a healthy lifestyle. At the date of the competition, the Company prepared the “Package of Refueling Family Bucket (加油全家桶套餐)” including run-up team, cheerleading team and encourage station to cheer the players and help them to stick to the end in the whole process, to race out of wonderful performance and race out of the level. The Company also arranged professional medical practitioners to be stationed at the end to meet the victors of the competition, and to provide professional consultation and on-site treatment services for the injured runners actively in line with the theme “Run courageously, Here I am” of the marathon event to ensures the health and safety of the participants.





Take Win-win Responsibility and Embrace the Future Together

While placing strong emphasis on the management on suppliers, aiming to build a responsible supply chain and achieve win-win cooperation with our partners together, Ping An Good Doctor abided by the procurement rules of Ping An Group, adopted and strictly implemented the relevant internal measures including the Administrative Measures on Procurement of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司採購管理辦法》) and fully carry out initiatives to promote sunshine procurement, regulate procurement activities and mitigate procurement risks.

1. Procurement Procedure

The Company established strict procurement management system and procedure to regulate the procurement management:

- The Administrative Department organizes the procurement team which will be responsible for collecting procurement requests and making applications in relation to those procurement activities;
- Invite bids from suppliers and organize procurement activities such as bid opening, bid evaluation and award of bid;
- Confirm the procurement results and cooperating supplier;
- Review the procurement contracts and be responsible for supplier management;
- Organize market research and follow up after-sale services.

Moreover, the finance department, legal compliance department, technology department and business operation department also participate in the procurement approval process and maintain strict control from the perspective of budget management, procurement risk and procurement requirements to ensure the procurement procedures comply with laws and regulations.

2. Supplier Development and Approval

The procurement team conducts analysis on the procurement requirements, determines the selection criteria of suppliers jointly with the business operation department according to the internal rules, conducts extensive information collection in respect of suppliers in terms of their qualification, service capacities and market reputation, conducts comprehensive evaluation and screening of suppliers in the principle of fairness, openness and impartiality and finally determines the qualified suppliers by way of scoring and adds them into the list of qualified suppliers accordingly.

3. Supplier Evaluation and Assessment

In order to ensure the quality of products and services, the procurement team regularly monitors, evaluates and assesses the performance, service quality and effectiveness of the suppliers in the list of qualified suppliers and adopts a point management system in respect of suppliers based on the results of assessment. For high-performance suppliers, they will be considered in priority for next cooperation. For under-performance suppliers, a meeting will be arranged for analyzing reasons and formatting a rectification plan. In addition, we have established a quality spot-checking system for the management and control of suppliers for health mall. For substandard products, we will deal with the non-compliances by merchants according to the Point Management Rules for Merchants of Ping An Good Doctor (《平安好醫生商家積分管理規則》) to further motivate and assist suppliers to improve the level of their services.

Take Operation Responsibility and Create Comprehensive Value

In pursuit of the philosophy of taking responsibility for stakeholders, Ping An Good Doctor continuously focuses on its own growth and constantly creates value. We actively takes operation responsibility, strictly complies with laws and regulations in relation to corporate governance, constantly improves and implements the integrity-related system and strives to enhance the level of our corporate governance.

1. Compliant Operation

Ping An Good Doctor has been in strict compliance with the national policies and regulations in relation to internet healthcare, electronic prescription, drug regulation, e-commerce, promotion and marketing and employment, and carefully implements its internal rules such as the Code of Conduct of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工行為準則》) and the Standards for Dealing with Non-compliances by Employees of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工違規行為處理執行標準》). The Company has established the legal compliance department to conduct legal review for major projects and to cooperate with various business departments in conducting compliance review on the daily business operation of the Company.

We have obtained the following licenses and permits under the requirements of national regulations:

Entity	License/Approval/Permit
Ping An Health Cloud Company Limited	ICP License (增值電信業務經營許可證)
Ping An Health Cloud Company Limited	Qualification Certificate for Providing Internet Pharmaceutical Information Service (互聯網藥品信息服務資格證書)
Ping An Health Cloud Company Limited	Notice Concerning the Filing of Ping An Health Cloud Company Limited for Single-Purpose Commercial Prepaid Card Issuance (關於同意對平安健康互聯網股份有限公司單用途商業預付款規模發卡業務予以備案的通知)
Ping An Health Cloud Company Limited	Internet Culture Operation License (網絡文化經營許可證)
Ping An Health Cloud Company Limited (Shanghai Branch)	Food Operation Permit (食品經營許可證)
Pingan (Qingdao) Internet Hospital Company Limited	Practicing License for Medical Institutions (醫療機構執業許可證)
Pingan (Hefei) Internet Hospital Company Limited	Practicing License for Medical Institutions (醫療機構執業許可證)
Pingan (Yinchuan) Internet Hospital Company Limited	Practicing License for Medical Institutions (醫療機構執業許可證)
Jiangxi Pingan Good Doctor Pharmacy Company Limited (江西平安好醫生大藥房有限公司)	ICP License (增值電信業務經營許可證)

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Entity	License/Approval/Permit
Jiangxi Pingan Good Doctor Pharmacy Company Limited (江西平安好醫生大藥房有限公司)	Qualification Certificate for Providing Internet Pharmaceutical Information Service (互聯網藥品信息服務資格證書)
Jiangxi Pingan Good Doctor Pharmacy Company Limited (江西平安好醫生大藥房有限公司)	Qualification Certificate for Providing Internet Pharmaceutical Dealing Service (互聯網藥品交易服務資格證書)
Jiangxi Pingan Good Doctor Pharmacy Company Limited (江西平安好醫生大藥房有限公司)	Pharmaceutical Operation Permit (藥品經營許可證)
Jiangxi Pingan Good Doctor Pharmacy Company Limited (江西平安好醫生大藥房有限公司)	Good Supply Practices (GSP) Certificate (藥品經營質量管理規範認證證書)
Jiangxi Pingan Good Doctor Pharmacy Company Limited (江西平安好醫生大藥房有限公司)	Food Operation Permit (食品經營許可證)
Jiangxi Pingan Good Doctor Pharmacy Company Limited (江西平安好醫生大藥房有限公司)	Registration for Class II Medical Devices Operation (第二類醫療器械經營備案)
Hefei Kuaiyijie Medical Electronic Commerce Company Limited	ICP License (增值電信業務經營許可證)
Hefei Kuaiyijie Medical Electronic Commerce Company Limited	Qualification Certificate for Providing Internet Pharmaceutical Information Service (互聯網藥品信息服務資格證書)
Hefei Kuaiyijie Medical Electronic Commerce Company Limited	Qualification Certificate for Providing Internet Pharmaceutical Dealing Service (互聯網藥品交易服務資格證書)
Jiangsu Nabaite Pharmacy Company Limited	Pharmaceutical Operation Permit (藥品經營許可證)
Jiangsu Nabaite Pharmacy Company Limited	Registration Certificate for Class II Medical Devices Operation (第二類醫療器械經營備案憑證)
Jiangsu Nabaite Pharmacy Company Limited	Food Operation Permit (食品經營許可證)

Case Sharing

Be a Head of Compliance Business through Legal Publicity

On 15 October 2018, the legal compliance department went to Lanzhou, Gansu to promote the compliance among agents in the general health and wellness department. This training is aimed at colleagues in the general health and wellness department and the customer service department of the Company, as well as the Company's contracted agents, to publicize compliance matters that need attention in the process of business operation, thereby popularizing important knowledge of compliance among employees and avoiding potential harm caused by improper publicity in the future.



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Promote the intellectualization of Legal Work through AI Good Lawyer

On 15 November 2018, Ping An Good Doctor officially launched the use of “AI Good Lawyer” System across the company. AI Good Lawyer contains four modules, i.e., intelligent contract management, intelligent judicial rules, one-key arbitration and litigation application, and intellectual property rights, covering the whole life cycle management process of contracts. Such system enables the intellectualization of low-end, repetitive and processed contract review work. In the future, the AI Good Lawyer System will continue to promote the transformation of the Company’s legal compliance work towards a more intelligent and efficient orientation.

2. Anti-fraud Construction

The Company has strictly abided by the laws and regulations relating to anti-fraud and integrity building, earnestly implemented the Anti-fraud System of Ping An Health Cloud (《平安健康互聯網反舞弊制度》), the Audit and Supervision Rules of Ping An Health Cloud (《平安健康互聯網稽核監察章程》) and the Complaint Reporting Work Management System of Ping An Health Cloud (《平安健康互聯網信訪工作管理制度》) and established a sound anti-fraud management system to build a good atmosphere of honesty and dedication.

We have defined the responsibilities of each department by setting up an anti-fraud system. Once the risk of corruption is found, the audit and supervision department shall immediately organize an investigation and punish such corrupt practice according to the “Red, Yellow and Blue” Card Punishment System of Ping An Healthcare and Technology Company Limited (《平安健康醫療科技有限公司“紅、黃、藍”牌處罰制度》); in the event that illegal acts are found, they will be transferred to judicial authorities for treatment according to law. After the investigation, the investigation team will issue an investigation report and propose rectification measures to enhance the effectiveness of anti-fraud work.

We have set up various unified whistle-blowing ways, such as telephone, e-mail, letter and visiting, and publicized them in the form of official documents, to ensure smooth channels for whistle-blowing, and reward those who provide valuable clues. We adhere to an anti-fraud principle of “punishment in concert with prevention with a focus on prevention” by regularly carrying out education and training activities on honest and clean government to warn employees to abide by the laws and disciplines. In 2018, we conducted a total of 15 mail campaigns and online trainings on the theme of anti-corruption education, covering all employees of the Company. This year, we have experienced no litigation cases concerning corruption, bribery, fraud and money laundering.

3. Compliance Publicity

The Company has strictly followed the laws and regulations such as the Advertising Law of the PRC (《中華人民共和國廣告法》), the Interim Measures for Administration of Internet Advertising of the PRC (《中華人民共和國互聯網廣告管理暫行辦法》) and the Measures for Drug Advertisements Examination of the PRC (《中華人民共和國藥品廣告審查辦法》) and earnestly implemented the Advertising Standards of Ping An Health Cloud (《平安健康互聯網廣告發佈標準》), the Ping An Information Review Rules of Ping An Health Cloud (《平安健康互聯網平安資訊審核規則》) and other systems to review advertising content involved in the process of business operations, so as to ensure the delivery of information and message that meet the national regulatory requirements and have positive value to customers and social audience.

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1) Product Publicity

We sell products from different merchants on the health mall, and the merchants provide promotional materials about their own products. In order to ensure that the publicity of the merchants meets the regulatory requirements, we adopt three-level systematic supervision and control measures:

1

Level I: standard publication

To formulate the Advertising Standards (《廣告發佈標準》), the Standards for Release of Ping An Good Doctor APP Commodity Details (《平安好醫生 APP 商品詳情發佈規範》) and other regulations, and require suppliers to design their publicity content in strict accordance with the regulations

2

Level II: system review

To automatically judge and intercept prohibited words and sensitive words in advertising, and prohibit merchants from publishing them

3

Level III: manual review

To conduct manual review and random inspection over advertising content that has passed system review. No sales-on-shelves is allowed in case of any violation, which shall be dealt with according to the Point Management Rules for Merchants of Ping An Good Doctor APP (《平安好醫生 APP 商家積分管理規則》)

2) News and Information

Ping An Good Doctor regularly publishes company news and health consultation on its official website, mobile platform and official account to meet the needs of users. All online news and information released by us are reviewed in accordance with the Ping An Information Review Rules of Ping An Health Cloud (《平安健康互聯網平安資訊審核規則》), and the release of politically sensitive, illegal, pornographic, violent and other contents is strictly prohibited. The Company's marketing and public relations department cooperates with the legal compliance department to control the news and information content, to ensure the accuracy and legitimacy of the Company's external publicity through a strict approval process, and reduce compliance risk arising from online news publicity.

The Appendix

Appendix I. HKEX Environmental, Social and Governance Reporting Guide Content Index

Serial number	ESG Indicator	Disclosure	Corresponding chapters	Disclosure responsibility
A1 General Disclosure	Information on the policies, compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A1.1	Types of emissions and respective emissions data.	Not applicable	Ping An Good Doctor does not involve the emission of gas pollutants, thus such indicator is not applicable.	Comply or explain
A1.2	Greenhouse gas emissions in total and, where appropriate, Intensity.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A1.3	Total hazardous waste produced and, where appropriate, Intensity.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A1.6	Description of how hazardous and nonhazardous wastes are handled, reduction initiatives and results achieved.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A2 General Disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A2.1	Direct or indirect energy consumption by type in total and intensity.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A2.2	Water consumption in total and intensity.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A2.5	Total packaging material used for finished products with reference to per unit produced.	Undisclosed	The "Ping An High Quality (平安質優)" series products sold by Ping An Good Doctor in health mall through its own development, research and production involves packaging material. As this series products is the new addition of business in the second half of 2018 and is the insignificant category for the operation of the Company in the year, this indicator has not been disclosed.	Comply or explain

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Serial number	ESG Indicator	Disclosure	Corresponding chapters	Disclosure responsibility
A3 General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
A3.1	Description of the significant impacts of activities on the environment and natural resources and actions taken to manage them.	Disclosed	VIII. Environmental Responsibility to Guard Green Home	Comply or explain
B1 General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Comply or explain
B1.1	Total workforce by gender, employment type, age group and geographical region.	Partially disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Recommended disclosure
B1.2	Employee turnover rate by gender, age group and geographical region.	Undisclosed		Recommended disclosure
B2 General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to providing a safe working environment and protecting employees from occupational hazards.	Disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Comply or explain
B2.1	Number and rate of work-related fatalities.	Disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Recommended disclosure
B2.2	Lost days due to work injury.	Disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Recommended disclosure
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Recommended disclosure
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Comply or explain
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Partially disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Recommended disclosure
B3.2	The average training hours completed per employee by gender and employee category.	Partially disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Recommended disclosure
B4 General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to preventing child and forced labor.	Disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Comply or explain
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Recommended disclosure

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Serial number	ESG Indicator	Disclosure	Corresponding chapters	Disclosure responsibility
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	VI. People-oriented Responsibility to Facilitate Staff Development	Recommended disclosure
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	X. Take Win-win Responsibility and Embrace the Future Together	Comply or explain
B5.1	Number of suppliers by geographical region.	Undisclosed		Recommended disclosure
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Disclosed	X. Take Win-win Responsibility and Embrace the Future Together	Recommended disclosure
B6 General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Disclosed	V. Responsibility for Quality Excellence and Perfection XI. Take Operation Responsibility and Create Comprehensive Value	Comply or explain
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Undisclosed		Recommended disclosure
B6.2	Number of products and service related complaints received and how they are dealt with.	Partially disclosed	VII. Service Responsibility to Protect Users' Rights and Interests	Recommended disclosure
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	V. Responsibility for Quality Excellence and Perfection	Recommended disclosure
B6.4	Description of quality assurance process and recall procedures.	Disclosed	V. Responsibility for Quality Excellence and Perfection	Recommended disclosure
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	V. Responsibility for Quality Excellence and Perfection	Recommended disclosure
B7 General Disclosure	Information on the policies, and compliance with relevant laws and regulations that have a significant impact on the issuer, relating to bribery, extortion, fraud and money laundering.	Disclosed	XI. Take Operation Responsibility and Create Comprehensive Value	Comply or explain
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	XI. Take Operation Responsibility and Create Comprehensive Value	Recommended disclosure
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	XI. Take Operation Responsibility and Create Comprehensive Value	Recommended disclosure
B8 General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	IX. Social Responsibility to Establish Harmonious Community	Comply or explain
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Disclosed	IX. Social Responsibility to Establish Harmonious Community	Recommended disclosure
B8.2	Resources contributed (e.g. money or time) to the focus areas.	Disclosed	IX. Social Responsibility to Establish Harmonious Community	Recommended disclosure

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Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal policies	Compliance with rules and regulations	
A1 Emissions		<p>Environmental Protection Law of the PRC (《中華人民共和國環境保護法》)</p> <p>Appraising of Environmental Impacts Law of the PRC (《中華人民共和國環境影響評價法》)</p> <p>Regulations on Administration of Construction Project Environmental Protection (《建設項目環境保護管理條例》)</p> <p>Rules on the Administration of Acceptance Inspection of Construction Project Environmental Protection (《建設項目竣工環境保護驗收管理辦法》)</p> <p>Rules on the Administration of Filing of Environmental Impact Registration Form of the Construction Project (《建設項目環境影響登記表備案管理辦法》)</p> <p>Noise Pollution Prevention Law of the PRC (《中華人民共和國環境噪聲污染防治法》)</p> <p>Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染防治法》)</p> <p>Water Pollution Prevention and Control Law of the PRC (《中華人民共和國水污染防治法》)</p> <p>Ocean Environmental Protection Law of the PRC (《中華人民共和國海洋環境保護法》)</p> <p>Administrative Regulations of the PRC on the Prevention of Pollution and Damage of Marine Environment by Terrigenous Pollutant (《中華人民共和國防治陸源污染物污染損害海洋環境管理條例》)</p> <p>Prevention and Control of Solid Waste Pollution of the PRC (《中華人民共和國固體廢物污染環境防治法》)</p> <p>National Hazardous Waste Inventory (《國家危險廢棄物名錄》)</p> <p>Measures on Duplicated Form for Transfer of Hazardous Wastes (《危險廢物轉移聯單管理辦法》)</p> <p>“Thirteenth Five-Year” Work Plan for Greenhouse Gas Emission Control” (《“十三五”控制溫室氣體排放工作方案》)</p>	
	A2 Use of Resources	Code of Conduct for Employees of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工行為準則》)	<p>Energy Conservation Law of the PRC (《中華人民共和國節約能源法》)</p> <p>Recycling Economy Promotion Law of the PRC (《中華人民共和國循環經濟促進法》)</p>

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ESG Indicators	Internal policies	Compliance with rules and regulations
A3 Environment and Natural Resources	Code of Conduct for Employees of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工行為準則》)	Law of the PRC on the Prevention and Control of Air Pollution (《中華人民共和國大氣污染防治法》) Environmental Protection Law of the PRC (《中華人民共和國環境保護法》)
B1 Employment	Recruitment Management System of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司招聘管理制度》) Recruitment Management HR Operation Manual of Ping An Health Cloud Company Limited (《平安健康互聯網有限公司招聘管理HR操作手冊》) Code of Conduct for Employees of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工行為準則》) Administrative Measures on Relatives of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司親屬管理辦法》) Implementation Standard for the Handling of Violations of Regulations of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工違規行為處理執行標準》) Administrative Measures on Review Commissioner of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司核人專員管理辦法》) Personnel Promotion Management Rules of Ping An Health Cloud (《平安健康互聯網人員晉升管理規則》) Performance Accountability Management System of Ping An Health Cloud (《平安健康互聯網績效問責管理制度》) Compensation Management System of Ping An Health Cloud (《平安健康互聯網薪酬管理制度》) Guideline on Remuneration Management of Ping An Health Cloud (《平安健康互聯網薪酬管理指引》)	Labor Law of the PRC (《中華人民共和國勞動法》) Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) Law of the PRC on Employment Promotion (《中華人民共和國促進就業法》) Social Insurance Law of the PRC (《中華人民共和國社會保險法》) Regulations on Minimum Wage (《最低工資規定》) Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) Law of the PRC on the Protection of Women's and Child Rights and Interests (《中華人民共和國婦女兒童權益保護法》) Law on Licensed Medical Practitioners of the PRC (《中華人民共和國執業醫師法》) Administrative Measures for the Registration of Medical Practitioners (《職業醫師註冊管理辦法》) Regulations on Administration on Practice of Rural Doctors (《鄉村醫師從業管理條例》) Trial Regulations on Duties of Health Technical Personnel (《衛生技術人員職務試行條例》) Admission and Rating System of Internet Hospital Practitioners (《互聯網醫院執業醫師准入及評級制度》)
B2 Health and Safety	Code of Conduct for Employees of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工行為準則》)	Labor Law of the PRC (《中華人民共和國勞動法》) Prevention and Control of Occupational Diseases Law of the PRC (《中華人民共和國職業病防治法》) Work Safety Law of the PRC (《中華人民共和國安全生產法》) Fire Prevention Law of the PRC (《中華人民共和國消防法》) Law of the PRC on Emergency Response (《中華人民共和國突發事件應對法》)

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ESG Indicators	Internal policies	Compliance with rules and regulations
B2 Health and Safety	Code of Conduct for Employees of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工行為準則》)	<p>Regulations on the Safety Administration of Hazardous Chemicals (《危險化學品安全管理條例》)</p> <p>Regulations on the Reporting, Investigation and Handling of Production Safety Accidents (《生產安全事故報告和調查處理條例》)</p> <p>Interim Regulations on the Investigation and Treatment of Hidden Dangers in Safety Production Accidents (《安全生產事故隱患排查治理暫行條例》)</p> <p>Regulation on Work-Related Injury Insurance of the PRC (《中華人民共和國工傷保險條例》)</p> <p>Provisions on the Supervision and Administration of Occupational Health in the Workplace (《工作場所職業衛生監督管理規定》)</p> <p>Occupational Disease Classification and Catalog (《職業病分類與目錄》)</p> <p>Site Safety Requirements of Computing Stations (《計算站場地安全要求》)</p> <p>General Specification for Electronic Computer Sites (《電子計算機場地通用規範》)</p>
B3 Development and Training	Team Training Management Basic Manual of Ping An Health Cloud (《平安健康互聯網團隊培訓管理工作基礎手冊》)	
B4 Labor Standards	<p>Recruitment Management System of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司招聘管理制度》)</p> <p>Employee Overtime Management System of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工加班管理制度》)</p> <p>Attendance and Vacation System of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司考勤與休假制度》)</p>	<p>Provisions on Prohibition of Child Labor (《禁止使用童工規定》)</p> <p>Labor Law of the PRC (《中華人民共和國勞動法》)</p> <p>Labor Contract Law of the PRC (《中華人民共和國勞動合同法》)</p> <p>Regulation on Public Holidays for National Annual Festivals and Memorial Days (《全國年節及紀念日放假辦法》)</p> <p>Implementation Measures for Paid Annual Leave for Employees of Enterprises (《企業職工帶薪年休假實施辦法》)</p> <p>Provisions on Enterprise Employees Illness or Non-work Related Injury Medical Period (《企業職工患病或非因工負傷醫療期規定》)</p>

Environmental, Social and Governance Report

ESG Indicators	Internal policies	Compliance with rules and regulations
B5 Supply Chain Management	One Minute Clinic Team Operation Practices of Ping An Health Cloud (《平安健康互聯網一分鐘診所團隊運營操作規範》)	
	Business Violation Points Management Rules of Ping An Good Doctor App (《平安好醫生APP 商家違規積分管理規則》)	
	Business Cooperation Framework Agreement of Ping An Good Doctor App (《平安好醫生APP 商家合作框架協議》)	
	Administrative Measures for Prohibited Goods Management of Ping An Health Cloud (《平安健康互聯網禁售商品管理信息規範》)	
	Guidelines for E Platform Management of Ping An Purchasing Management (《平安採購管理 E 平台管理指引》)	
	e-Purchasing Platform Commodity Management Process (《e 採平台商品管理流程》)	
	Purchasing Management Measures of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司採購管理辦法》)	Tendering and Bidding Law of the PRC (《中華人民共和國招投標法》)
	Supplier Settlement Process of Ping An Good Doctor (《平安好醫生供應商入駐流程》)	General Provisions of the Civil Law of the PRC (《中華人民共和國民法總則》)
	Interim Management Measures for Sales Center Suppliers (Personal Edition) (《個人版銷售中心供應商暫行管理辦法》)	Tort Liability Law of the PRC (《中華人民共和國侵權責任法》)
	Quality Inspection Rules of Ping An Good Doctor APP (《平安好醫生 APP 商品品質抽檢規則》)	
	Administrative Measures for Product Release of Ping An Good Doctor APP (《平安好醫生 APP 商品詳情發佈規範》)	
	Administrative Measures for Commodity Price of Ping An Good Doctor APP (《平安好醫生 APP 商品價格規範》)	
	Interim Administration Measures for Commodity Display on Ping An Health Cloud (《平安健康互聯網商品上架規範暫行管理辦法》)	
After-sales Service Management Rules of Ping An Good Doctor (《平安好醫生售後服務管理規則》)		

Environmental, Social and Governance Report

ESG Indicators	Internal policies	Compliance with rules and regulations
B5 Supply Chain Management	Rules on Handling After-Sales Service Problems by Ping An Good Doctor (《平安好醫生商家售後服務問題處理規則》)	
	Administrative Measures for After-Sales Service of Ping An Good Doctor (《平安好醫生商家售後服務規範》)	
	Administrative Measures for Operational Purchasing of Online Marketing Department of Ping An Health Cloud (《平安健康互聯網在線營銷部經營性採購管理辦法》)	
	Administrative Measures for Purchasing of B2B Business Center (《B2B 業務中心採購管理辦法》)	
B6 Product Responsibility	Front End JavaScript Coding Practices of Ping An Health Cloud (《平安健康互聯網前端 JavaScript 編碼規範》)	E-commerce Law of the PRC (《中華人民共和國電子商務法》)
	Manual of Code of Practice of MySQL of Ping An Health Cloud (《平安健康互聯網 MySQL 操作規範手冊》)	Food Safety Law of the PRC (《中華人民共和國食品安全法》)
	Regulations on Use of Domain Names of Ping An Health Cloud (《平安健康互聯網域名的使用規範》)	Administrative Measures for Food Business Licensing (《食品經營許可管理辦法》)
	Rules on Writing Startup Script of Ping An Health Cloud (《平安健康互聯網啟動腳本編寫規則》)	Implementation Regulations of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》)
	Coding Practices of Ping An healthcare of Ping An Health Cloud (《平安健康互聯網平安健康編碼規範》)	Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)
	Practices for Bugs Management Process (《Bug 管理流程規範》)	Supervision and Management Measures on Medical Devices Management (《醫療器械經營監督管理辦法》)
	Definition of Fault Level and Handling Criteria of Ping An Health Cloud (《平安健康互聯網故障等級定義和處理準則》)	Administrative Measures Governing the Good Supply Practice of Medical Devices (《醫療器械經營質量管理規範》)
	Fault Tracking and Feedback Guide of Ping An Health Cloud (《平安健康互聯網故障跟踪與反饋指南》)	Measures for the Supervision and Administration of Online Sale of Medical Devices (《醫療器械網絡銷售監督管理辦法》)
	Administrative Measures for Demand Review Process of Ping An Health Cloud (《平安健康互聯網需求評審流程規範》)	Law on Protection of the Rights and Interests of Consumers of the PRC (《中華人民共和國消費者權益保護法》)
	Administrative Measures for Demand Change Process of Ping An Health Cloud (《平安健康互聯網需求變更流程規範》)	Advertising Law of the PRC (《中華人民共和國廣告法》)
	Administrative Measures for Projects of Ping An Health Cloud (《平安健康互聯網項目管理規範》)	Interim Measures for Administration of Internet Advertising (《互聯網廣告管理暫行辦法》)
	Product Development Process and Precautions of Ping An Health Cloud (《平安健康互聯網產品開發流程及注意事項》)	Measures for Drug Advertisements Examination (《藥品廣告審查辦法》)

Environmental, Social and Governance Report

ESG Indicators	Internal policies	Compliance with rules and regulations
B6 Product Responsibility	Administrative Measures for Health Data Security of Ping An (《平安健康數據安全管理規範》)	Administration Measures for Medical Advertisements (《醫療廣告管理辦法》)
	System for Information Security of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司信息安全體系制度》)	Measures for the Examination of Medical Device Advertisements (《醫療器械廣告審查辦法》)
	System for Data Security of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司數據體系制度》)	Interim Measures for Internet Culture Management (《互聯網文化管理暫行辦法》)
	Administrative Measures for the Protection of Trade Secrets of Ping An Health Cloud (《平安健康互聯網商業秘密保護管理辦法》)	Regulations on the Administration of Radio and Television (《廣播電視管理條例》)
	Advertisement Publishing Standards of Ping An Health Cloud (《平安健康互聯網廣告發佈標準》)	Regulations on the Production, Operation and Management of Radio and Television Programs (《廣播電視節目製作經營管理規定》)
	Information Audit Rules of Ping An of Ping An Health Cloud (《平安健康互聯網平安資訊審核規則》)	Law of the PRC on Network Security (《中華人民共和國網絡安全法》)
	Routine Management Rules for Hospitals of Ping An Health Cloud (《平安健康互聯網醫院常規管理制度》)	Administrative Measures for Online Transactions (《網絡交易管理辦法》)
	Medical Record Management Rules for Hospitals of Ping An Health Cloud (《平安健康互聯網醫院病歷管理制度》)	Measures for the Security Review of Network Products and Services (《網絡產品和服務安全審查辦法》)
	Pharmaceutical Management Rules for Hospitals of Ping An Health Cloud (《平安健康互聯網醫院藥事管理制度》)	Information Security and Confidentiality Standards (《信息安全保密標準》)
	Front-line Work Order Operation Planning for Malls of Ping An Health Cloud (《平安健康互聯網商城一線工單作業規劃》)	Information Security Technology: Regulations on Personal Information Security (《信息安全技術：個人信息安全規範》)
	Operation Rules for Quality Control of Ping An Health Cloud (《平安健康互聯網質量管控制度》)	Specifications for Data Center Design (《數據中心設計規範》)
	Processing Flow for E-commerce Medical and General Affairs of Ping An Health Cloud (《平安健康互聯網電商醫療及普通類的處理流程》)	Measures for the Administration of Internet Drug Information Services (《互聯網藥品信息服務管理辦法》)
	Interim Administrative Measures for Complaints Processing by Customer Service Staff of Merchants of Ping An Health Cloud (《平安健康互聯網商家客服投訴處理暫行管理辦法》)	Interim Provisions for the Examination and Approval of Internet Drug Trading Services (《互聯網藥品交易服務審批暫行規定》)

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ESG Indicators	Internal policies	Compliance with rules and regulations
B6 Product Responsibility	<p>Management Rules for Health Internet IDC Computer Rooms (《健康互聯網 IDC 機房管理制度》)</p> <p>Emergency Response Rules for Health Internet System (《健康互聯網系統應急響應制度》)</p> <p>Administrative Measures for Bugs of Ping An Health Cloud (《平安健康互聯網 Bug 管理規範》)</p> <p>Examination Rules for Red, Yellow and Green Weeks of Ping An Health Cloud (《平安健康互聯網紅、黃、綠週考核制度》)</p> <p>Administrative Measures for Icons of Ping An Good Doctor (《平安好醫生 Icon 整理規範》)</p> <p>Administrative Measures for Visual Design of Ping An Good Doctor (《平安好醫生視覺設計規範》)</p> <p>Design Standards for Front Page Initiation Page and Advertisement Flash Screen of Ping An Good Doctor (《平安好醫生首頁啟動頁與廣告閃屏設計規範》)</p> <p>Customer Service Quality Standards of Ping An Health Cloud (《平安健康互聯網客戶服務質量標準》)</p> <p>Provisional Regulations on Return and Replacement of Goods of Ping An Health Cloud (《平安健康互聯網退貨暫行管理條例》)</p>	<p>Administrative Measures for Remote Medical Service (for Trial Implementation) (《遠程醫療服務管理規範(試行)》)</p> <p>Management Rules for Internet Hospitals (《互聯網醫院管理制度》)</p> <p>Drug Administration Law of the PRC (《中華人民共和國藥品管理法》)</p> <p>Implementation Regulations of the Drug Administration Law of the PRC (《中華人民共和國藥品管理法實施條例》)</p> <p>Administrative Measures for Classification of Prescription and Non-prescription Drugs (《處方藥與非處方藥分類管理辦法》)</p> <p>Provisional Regulations on the Circulation Management of Prescription and Non-prescription Drugs (《處方藥與非處方藥流通管理暫行規定》)</p> <p>Measures for the Supervision and Administration of Drug Circulation (《藥品流通監督管理辦法》)</p> <p>Quality Management Rules for Drug Trading (《藥品經營質量管理規範》)</p> <p>Measures for the Administration of Pharmaceutical Trade Licenses (《藥品經營許可證管理辦法》)</p> <p>Certification Management Measures of the Quality Management Rules for Drug Trading (《藥品經營質量管理規範認證管理辦法》)</p> <p>Administrative Measures for Prescription Drugs (《處方管理辦法》)</p> <p>Regulations on Medical Record Management for Medical Institutions (《醫療機構病歷管理規定》)</p> <p>Rules on Prescription Audit for Medical Institutions (《醫療機構處方審核規範》)</p> <p>Pharmaceutical Management Rules for Medical Institutions (《醫療機構藥事管理規定》)</p> <p>Regulations on the Administration of Medical Institutions (《醫療機構管理條例》)</p> <p>Prescription Review Management Rules for Hospitals (for Trial Implementation) (《醫院處方點評管理規範(試行)》)</p> <p>Regulations on Major Medical Negligence and Medical Accident Reporting Rules (《重大醫療過失行為和醫療事故報告制度的規定》)</p>

Environmental, Social and Governance Report

ESG Indicators	Internal policies	Compliance with rules and regulations
B6 Product Responsibility		<p>Some Rules on Regulating the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》)</p> <p>Decision of the Standing Committee of the National People's Congress on Maintaining Internet Security (《全國人民代表大會常務委員會關於維護互聯網安全的決定》)</p> <p>Outline of National Medical and Health Service System Planning (2015-2020) (《全國醫療衛生服務體系規劃綱要(2015年-2020年)》)</p> <p>Measures for the Management of Internet Information Services (《互聯網信息服務管理辦法》)</p> <p>Regulations on Technical Measures for Internet Security Protection (《互聯網安全保護技術措施規定》)</p> <p>Information Service Management Rules for Mobile Internet Applications (《移動互聯網應用程序信息服務管理規定》)</p> <p>Berne Convention for the Protection of Literary and Artistic Works (《保護文學和藝術作品伯爾尼公約》)</p> <p>World Copyright Convention (《世界版權公約》)</p> <p>Protocol on Trade-Related Intellectual Property Rights (《與貿易有關的知識產權協定》)</p> <p>Copyright Law of the PRC (《中華人民共和國著作權法》)</p> <p>Regulations on the Protection of Information Dissemination Rights of Networks (《信息網絡傳播權保護條例》)</p> <p>Measures for the Registration of Copyright in Computer Software (《計算機軟件著作權登記辦法》)</p> <p>Regulations on the Protection of Computer Software (《計算機軟件保護條例》)</p> <p>Trademark Law of the PRC (《中華人民共和國商標法》)</p> <p>Implementation Regulations of the Trademark Law of the PRC (《中華人民共和國商標法實施條例》)</p> <p>Patent Law of the PRC (《中華人民共和國專利法》)</p> <p>Implementation Rules of Patent Law of the PRC (《中華人民共和國專利法實施細則》)</p>

Environmental, Social and Governance Report

ESG Indicators	Internal policies	Compliance with rules and regulations
B6 Product Responsibility		<p>Administrative Measures for the Clinical Application of Antibacterial Drugs (《抗菌藥物臨床應用管理辦法》)</p> <p>Guidelines for Clinical Application of Antimicrobial Drugs (《抗菌藥物臨床應用指導原則》)</p>
B7 Anti-corruption	<p>Administrative Measures for the Protection of Trade Secrets of Ping An Health Cloud (《平安健康互聯網商業秘密保護管理辦法》)</p> <p>Operational Risk and Internal Control Management System of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司操作風險與內控管理制度》)</p> <p>Implementation Standard for the Handling of Violations of Regulations of Ping An Health Cloud Company Limited (《平安健康互聯網股份有限公司員工違規行為處理執行標準》)</p> <p>Inspection and Verification Charter of Ping An Health Cloud (《平安健康互聯網稽核監察章程》)</p> <p>Articles of Association of Ping An Healthcare and Technology Company Limited (《平安健康醫療科技有限公司章程》)</p> <p>Management System on Petition of Ping An Health Cloud (《平安健康互聯網信訪工作管理制度》)</p> <p>“Red, Yellow, Blue” Brand Punishment System of Ping An Healthcare and Technology Company Limited (《平安健康醫療科技有限公司“紅、黃、藍”牌處罰制度》)</p> <p>Comprehensive Risk Management Measures of Ping An Healthcare and Technology Company Limited (《平安健康醫療科技有限公司全面風險管理辦法》)</p> <p>Anti-fraud Management Measures of Ping An Healthcare and Technology Company Limited (《平安健康醫療科技有限公司反舞弊管理辦法》)</p> <p>Management Policy of Conflict of Interest of Employees of Ping An Health Cloud (《平安健康互聯網員工利益衝突管理政策》)</p> <p>Measures for Case Responsibility Investigation and Management of Ping An Health Cloud (《平安健康互聯網案件責任追究管理辦法》)</p>	<p>Anti-unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》)</p> <p>Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》)</p> <p>Anti-monopoly Law of the PRC (《中華人民共和國反壟斷法》)</p> <p>Criminal Law of the People's Republic of China (《中華人民共和國刑法》)</p> <p>Audit Law of the PRC (《中華人民共和國審計法》)</p> <p>Internal Audit Provisions of the National Audit Office (《審計署關於內部審計工作的規定》)</p> <p>Basic Norms for Enterprise Internal Control (《企業內部控制基本規範》)</p> <p>Regulations on Petition (《信訪條例》)</p>

Independent Auditor's Report

To the Shareholders of Ping An Healthcare and Technology Company Limited

(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Ping An Healthcare and Technology Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 114 to 189, which comprise:

- the consolidated statement of financial position as at 31 December 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment of goodwill
- Provision for sales promotion
- Principal versus agent considerations in revenue recognition

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Impairment of goodwill</p> <p>Refer to note 2.9(a), 4(a) and 15 to the consolidated financial statements.</p> <p>As at 31 December 2018, the Group held a significant amount of goodwill amounting to RMB966.8 million, of which RMB961.6 million arose from the acquisition of Ping An Wanjia Healthcare Investment Management Co., Ltd. in 2018. Based on management's assessment, there is no impairment charge for goodwill.</p> <p>We focused on this area due to the magnitude of the carrying amount of the asset and the fact that significant judgements were required by management (i) to identify whether any impairment indicators existed for the asset during the year; (ii) to determine the appropriate recoverable amounts, being higher of the fair value less costs of disposal and value in use; and (iii) to select key assumptions to be adopted in the valuation models for the impairment assessments, including forecast revenue growth rate, gross profit margin, terminal growth rate, and discount rate used in the projection period.</p>	<p>We evaluated and validated the control of management's assessment on goodwill impairment. We validated the key controls in respect of impairment assessments, including the evaluation of periodic impairment indications as to whether indicators of impairment exist by corroborating with management and market information, the determination of appropriate impairment approaches, the adoption of valuation models and the assumptions and calculation of impairment charge.</p> <p>Management performs annual impairment assessments of the Group's goodwill by comparing the carrying amounts with the recoverable amounts, which are assessed by using the value-in-use method with the adoption of discounted cash flows for each separately identifiable cash-generating unit ("CGU") for which the goodwill has been allocated.</p> <p>We assessed the reasonableness of the basis management used to identify separate groups of CGUs containing goodwill, the impairment approaches, and the valuation models used in management's impairment assessments.</p> <p>We assessed the key assumptions used in valuation model, including forecast revenue growth rate, gross profit margin, terminal growth rate, and discount rate by examining the approved financial forecast models, comparing future prediction against the applicable industry or business data, and understanding the management's operational planning and historical financial information to assess the reasonableness. We also assessed certain key valuation assumptions by reference to independent market analysis with the assistance of our internal valuation specialists.</p> <p>We also independently tested the mathematical accuracy of calculation applied in the valuation models and the calculation of impairment charges.</p> <p>Based on the procedures performed, we concur with the assessment of management that no impairment charge of goodwill is required during the current year.</p>

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Provision for sales promotion</p> <p>Refer to note 4(c), 6, and 28 to the consolidated financial statements.</p> <p>As at 31 December 2018, the carrying amount of provision for sales promotion relating to “healthy reward points” under the Group’s mobile platform incentive scheme “step-for-reward” plan amounted to RMB277.1 million, representing 51% of the accrued expenses balance in trade and other payables.</p> <p>Management estimated the provision for sales promotion based on the outstanding quantity of “healthy reward points” rewarded to registered users, simultaneously considering the expected redemption rate and the estimated unit value of each “healthy reward point”.</p> <p>We focused on this area due to magnitude of carrying amount for the provision and significant management judgements and estimation involved in the determination of expected redemption rate and the estimated unit value of the points, both of which are determined by historical redemption pattern with an adjustment of the change in anticipated redemption behaviour of the registered users and the estimated unit value of the points as a result of the upcoming promotion plans to be launched by the Group to encourage the accumulation and consumption of “healthy reward points”.</p>	<p>We understand the Group’s calculation process of provision, evaluated and validated the Group’s control of the “step-for-reward” plan including the changes in quantity of “healthy reward points” resulted from the issuance, redemption, extension and the expiration of the “healthy reward points”.</p> <p>We tested controls over the information systems which are used to maintain and record the changes in quantity of “healthy reward points”, including testing the information system logic for recording life cycle of points, and checking the computation of remaining quantity generated directly from the Group’s information system.</p> <p>We reviewed the key inputs and assumptions in the calculation formula including (1) the outstanding quantity of “healthy reward points” by comparing the data input to the information maintained in the information system which have been tested, (2) the expected redemption rate and the estimated unit value of the points by comparing to historical redemption pattern and historical unit value of each point to information maintained in the information system. We also evaluated and validated the key assumptions used by management to estimate the adjustment of the change in anticipated redemption behaviour of the registered users and the estimated unit value of the points, and corroborated the evidence provided by management by reviewing the upcoming promotion plans and promotion budget as approved by senior management.</p> <p>We also tested the redemption pattern subsequent to year end using the information in the system for redemption transactions after year end date to check consistency with management’s estimation at year end.</p> <p>We independently tested the mathematical accuracy of calculation applied in the provision models.</p> <p>Based on our audit procedures performed, we found the management’s estimation and judgement to be materially consistent with management’s supporting documentation.</p>

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Principal versus agent considerations in revenue recognition</p> <p>Refer to note 2.21, 4(b) and 5 to the consolidated financial statements.</p> <p>During the year ended 31 December 2018, the Group recognised revenue of approximately RMB2,769.9 million generated from consumer healthcare and health mall, representing 83% of the Group's total revenue, which involves management's consideration of principal versus agent.</p> <p>We focused on this area due to the significant amount of relevant revenue and the fact that management applied a high degree of judgements in determining principal or agent in various transactions for which the indicators of principal defined in IFRS 15 need to be assessed depending on relevant facts and circumstances individually or in combination.</p>	<p>We obtained an understanding of the Group's revenue recognition policies related to various revenue streams based on different business models. We assessed and tested the design, implementation and operation effectiveness of related key controls in respect of management's assessment of revenue recognition.</p> <p>We inspected the management's assessment process on a sample basis with the reference to the indicators of principal defined in IFRS 15 for each major revenue stream and assessed whether (1) the Group obtained control of goods and services before transfer to the customers, (2) was primarily responsible for fulfilling the contracts, (3) was subject to inventory risk, (4) had discretion in establishing prices.</p> <p>By reviewing contracts terms with customers and third party vendors and analysing the transaction structures on various selected transactions, we identified the Group has inventory risk and the power of establishing prices. As for the conditions where the Group is barely suffering inventory risk, we assessed the Group's role in these transactions as a principal or an agent through analysis of the ability to which the Group was entitled for providing the services or goods to customers, its exposure to risk undertaking from contract fulfilment, and the rights held by other parties.</p> <p>Based on our audit procedures, we found the management's judgements involved in determining the principal versus agent considerations were supported by the evidence that we gathered.</p>

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Sheung Yuen.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 February 2019

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	Year ended 31 December	
		2018	2017
Revenue	5	3,337,849	1,868,021
Cost of sales	5, 6	(2,425,911)	(1,255,951)
Gross profit		911,938	612,070
Selling and marketing expenses	6	(1,238,451)	(723,556)
Administrative expenses	6	(994,706)	(710,665)
Other income	10	28,227	24,936
Other gains/(losses) – net	11	183,493	(199,210)
Operating loss		(1,109,499)	(996,425)
Finance income	12	201,910	37,415
Finance costs	12	–	(37,579)
Finance income/(costs) – net	12	201,910	(164)
Share of losses of associates and joint ventures	19	(4,288)	(4,646)
Loss before income tax		(911,877)	(1,001,235)
Income tax expense	13	(1,178)	(408)
Loss for the year		(913,055)	(1,001,643)
Loss attributable to:			
– Owners of the Company		(911,662)	(1,001,643)
– Non-controlling interests		(1,393)	–
Total comprehensive loss for the year		(913,055)	(1,001,643)
Loss per share			
– Basic (RMB yuan)	14	(0.97)	(1.20)
– Diluted (RMB yuan)	14	(0.97)	(1.20)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	As at 31 December 2018	2017
ASSETS			
Non-current assets			
Goodwill	15	966,763	5,119
Property, plant and equipment	16	172,473	103,257
Other intangible assets	17	86,047	944
Investments in associates	18	250,000	–
Investments in joint ventures	19	5,419	9,707
Term deposits	24	2,799,031	–
Total non-current assets		4,279,733	119,027
Current assets			
Inventories	20	38,570	6,575
Trade receivables	21	431,011	454,456
Contract assets	5	60,920	57,970
Prepayments and other receivables	22	371,552	136,769
Financial assets at fair value through profit or loss	23	520,738	272,665
Term deposits	24	5,744,512	329,977
Cash and cash equivalents	24	926,485	4,594,641
Total current assets		8,093,788	5,853,053
Total assets		12,373,521	5,972,080
EQUITY AND LIABILITIES			
Equity			
Share capital	25	33	28
Treasury shares		(2)	(2)
Reserves	26	13,331,702	6,255,055
Accumulated losses		(3,132,813)	(2,221,119)
Total equity attributable to owners of the Company		10,198,920	4,033,962
Non-controlling interests		68,372	–
Total equity		10,267,292	4,033,962
Liabilities			
Non-current liabilities			
Trade and other payables	28	47	44
Total non-current liabilities		47	44
Current liabilities			
Trade and other payables	28	1,487,530	1,297,479
Contract liabilities	5	618,652	640,595
Total current liabilities		2,106,182	1,938,074
Total liabilities		2,106,229	1,938,118
Total equity and liabilities		12,373,521	5,972,080

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements on pages 114 to 189 were approved by the Board of Directors on 27 February 2019 and were signed on its behalf:

WANG Tao
(Director)

WANG Wenjun
(Director)

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Note	Share capital	Reserves	Treasury shares	Accumulated losses	Total		
As at 1 January 2018		28	6,255,055	(2)	(2,221,119)	4,033,962	–	4,033,962
Change in accounting policy	2.2	–	–	–	(32)	(32)	–	(32)
Restated total equity as at 1 January 2018		28	6,255,055	(2)	(2,221,151)	4,033,930	–	4,033,930
Loss for the year		–	–	–	(911,662)	(911,662)	(1,393)	(913,055)
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	25,26	5	6,948,698	–	–	6,948,703	–	6,948,703
Capital injection from non-controlling interest shareholders		–	–	–	–	–	62,794	62,794
Non-controlling interests arising from business combination	32	–	–	–	–	–	6,971	6,971
Share-based payments	27	–	126,945	–	–	126,945	–	126,945
Exercise of share options	27	–	1,004	–	–	1,004	–	1,004
As at 31 December 2018		33	13,331,702	(2)	(3,132,813)	10,198,920	68,372	10,267,292

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Note	Share capital	Reserves	Treasury shares	Accumulated losses	Total		
As at 1 January 2017		26	3,593,745	–	(1,219,476)	2,374,295	–	2,374,295
Loss for the year		–	–	–	(1,001,643)	(1,001,643)	–	(1,001,643)
Repurchase of ordinary shares	25	(13)	–	–	–	(13)	–	(13)
Issuance of ordinary shares	25,26	15	2,613,678	–	–	2,613,693	–	2,613,693
Consolidation of employee trust	27	–	2	(2)	–	–	–	–
Share-based payments	27	–	47,630	–	–	47,630	–	47,630
As at 31 December 2017		28	6,255,055	(2)	(2,221,119)	4,033,962	–	4,033,962

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	Year ended 31 December	
		2018	2017
Cash flows from operating activities			
Cash used in operations	30(a)	(1,085,193)	(483,942)
Net cash used in operating activities		(1,085,193)	(483,942)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment and intangible assets		143	315
Payments for property, plant and equipment and intangible assets		(197,660)	(12,068)
Payment for business combinations, net of cash acquired	32	(950,826)	(1,500)
Proceeds from sales of financial assets at fair value through profit or loss		1,406,011	605,708
Payments for financial assets at fair value through profit or loss		(1,561,080)	(654,220)
Payments for investments in associates		(250,000)	–
Interest received from term deposits with initial term of over three months		6,488	12,088
Proceeds from restricted cash		–	717,753
Payments for restricted cash		–	(342,207)
Proceeds from term deposits with initial term of over three months		326,824	–
Payments for term deposits with initial term of over three months		(8,336,960)	–
Net cash (used in)/generated from investing activities		(9,557,060)	325,869
Cash flows from financing activities			
Capital injection from non-controlling interest shareholders		51,374	–
Proceeds from exercise of share options		1,004	–
Payments for borrowings		–	(950,000)
Payments for interests		–	(34,649)
Proceeds from borrowings		–	400,000
Proceeds from issue of ordinary shares		7,099,594	2,746,256
Payments for ordinary shares issuance costs		(157,355)	(7,652)
Interest received from listing subscription deposits		20,959	–
Net cash generated from financing activities		7,015,576	2,153,955
Net (decrease)/increase in cash and cash equivalents		(3,626,677)	1,995,882
Cash and cash equivalents at the beginning of the year	24	4,594,641	2,721,537
Effects of exchange rate changes on cash and cash equivalents		(41,479)	(122,778)
Cash and cash equivalents at the end of the year	24	926,485	4,594,641

The accompanying notes form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

1 General Information

Ping An Healthcare and Technology Company Limited (formerly known as “Glorious Health Limited”) (the “Company”) was incorporated in the Cayman Islands on 12 November 2014 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in offering online medical and wellness services, such as family doctor services, consumer healthcare services, health mall as well as health management and wellness interaction programs through the Group’s mobile platform in the People’s Republic of China (the “PRC”).

Le Jin Xuan Limited, Glorious Peace Limited (“Glorious Peace”) and SVF Ping Subco (Singapore) PTE. Ltd. are the three largest shareholders of the Company, holding respectively 39.43%, 39.27% and 6.30% shareholding interest in the Company as at 31 December 2018.

Prior to the completion of the Group’s reorganization as described below, the Group’s existing business was carried out through a domestic company and its subsidiaries, incorporated in the PRC, namely Ping An Health Cloud Company Limited (“PAHC”). PAHC and its subsidiaries are collectively defined as the “PRC Operating Entities” thereafter.

The PRC regulations restrict foreign ownership of companies that provide value-added telecommunications services, internet cultural business, radio and television program production and operation business to the public and operation of online medical institutions, which include activities and services operated by the Group. To comply with the relevant PRC laws, the wholly-owned subsidiary of the Company, Kang Jian Information Technology (Shenzhen) Co., Ltd. (“Kang Jian”), has entered into a series of contractual arrangements (the “Contractual Agreements”) including the Exclusive Business Cooperation Agreement, Exclusive Equity Option Agreement, Exclusive Asset Option Agreement, Powers of Attorney and Equity Pledge Agreement, with PAHC and its equity holders, which enable Kang Jian and the Company to control PAHC by:

- Governing the financial and operating policies of PAHC;
- Exercising equity holders’ voting rights of PAHC;
- Receiving substantially all of the economic interest returns generated by PAHC in consideration for the business support, technical and consulting services provided by Kang Jian. Kang Jian has the obligation to provide financial assistance by way of entrusted bank loans, loans or other means;
- Obtaining an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, all or part of the equity interests or assets in PAHC from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Kang Jian may exercise such options at any time. The right is automatically renewable upon expiry unless it is superseded by a new term confirmed by Kang Jian; and
- Obtaining a pledge over the entire equity interests of PAHC from its respective equity holders as collateral security for all of PAHC’s payments due to Kang Jian and to secure performance of PAHC’s obligation under the Contractual Arrangements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

1 General Information (Continued)

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The directors of the Company, based on the advice of its legal counsel, consider that the use of Contractual Arrangements is currently enforceable in the PRC except for certain provisions and does not constitute a breach of the relevant laws and regulations. Accordingly, the subsidiaries controlled through Contractual Agreements were consolidated in the financial statements.

As a result of the Contractual Arrangements, the Group is considered to control PAHC as it has rights to exercise power over PAHC, receive variable returns from its involvement with PAHC, and has the ability to affect those returns through its power over PAHC. Consequently, the Company regarded PAHC and its subsidiaries as controlled entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group.

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited since 4 May 2018 by way of its initial public offering (the "Listing"). Upon the completion of the Listing, all the issued and unissued ordinary shares with a par value of USD0.00001 each in the share capital of the Company be subdivided into two ordinary shares with a par value of USD0.000005 each. Accordingly, all shares, share options and per share amounts in this consolidated financial statements have been adjusted, where applicable, to reflect the subdivision and adjustments of the ordinary shares.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, which are carried at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 below.

New and amended standards and interpretations adopted by the Group

The Group has adopted the following revised IFRSs for the first time for the current year's consolidated financial statements.

IFRS 9	Financial Instruments
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Annual improvements 2016	Annual Improvements 2014-2016 cycle
Amendments to IAS 40	Transfers of investment property
IFRIC 22	Foreign currency transactions and advance consideration

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.1 BASIS OF PREPARATION (Continued)

New and amended standards and interpretations adopted by the Group (Continued)

The Group had to change its accounting policies and make certain retrospective adjustments following the adoption of IFRS 9. The impact of the adoption of IFRS 9 is explained in Note 2.2 below. Most of the other amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group has not early adopted any other standard, interpretation or amendment that was issued but is not yet effective.

New standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective for the financial year beginning 1 January 2018 and not been early adopted by the Group as of the reporting period are as follows:

		Effective for annual periods beginning on or after
IFRS 16	Leases	1 January 2019
IFRS 17	Insurance contracts	1 January 2022
Amendments to IFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to IAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to IAS 19	Plan amendment, curtailment or settlement	1 January 2019
Amendments to IAS 28	Long-term interest in associate or joint ventures	1 January 2019
Annual improvements 2017	Annual improvements 2015-2017 cycle	1 January 2019
IFRIC 23	Uncertainty over income tax treatments	1 January 2019

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation. Except as described below, the Group considers that the application of amendments to IFRSs, amendments to IASs and the new interpretations is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in the future.

The directors expect the adoption of IFRS 16 would result in the recognition of the right-of-use assets and corresponding lease liabilities arising from accounting for operating leases by the Group as a lessee.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.1 BASIS OF PREPARATION (Continued)

New standards and interpretations not yet adopted (Continued)

IFRS 16

Nature of change

IFRS 16, "Leases", addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from IFRS 16 is that almost all operating leases will be accounted for on balance sheet for lessees, and the only optional exemptions are for certain short-term leases and leases of low-value assets. The standard replaces IAS 17 "Leases", and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted but only in conjunction with adopting IFRS 15 "Revenue from contracts with customers" at the same time.

Impact

The Group is a lessee of various offices, which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.22 under which operating lease payment is accounted for in the consolidated statement of comprehensive income when incurred and the Group's future operating lease commitments are not reflected in the consolidated statement of financial position but are disclosed in Note 31. IFRS 16 provides new provisions for the accounting treatment of leases and all long-term leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus each lease will be mapped in the Group's consolidated statement of financial position. In the consolidated statement of comprehensive income, leases will be recognised in the future as capital expenditure on the purchasing side and will no longer be recorded as an operating expense.

The new standard will therefore result in an increase in right of use asset and an increase in lease liability in the consolidated statement of financial position. As for the financial performance impact in the consolidated statement of comprehensive income, leasing expense will be replaced with straight-line depreciation expense on the right of use asset and interest expense on the lease liability. The combination of straight-line depreciation of the right of use asset and effective interest rate method applied on the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expense during the latter part of the lease term.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.1 BASIS OF PREPARATION (Continued)

New standards and interpretations not yet adopted (Continued)

IFRS 16 (Continued)

Impact (Continued)

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB177,565 thousand, see note 31. Of these commitments, approximately RMB3,373 thousand related to short-term leases and RMB48 thousand to low value leases which will both be recognised on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately RMB166,959 thousand on 1 January 2019, lease liabilities of RMB163,175 thousand (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018). Net current assets will be RMB83,133 thousand lower due to the presentation of a portion of the liability as a current liability. The Group expects that net profit will decrease by approximately RMB6,171 thousand for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately RMB85,424 thousand for 2019 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities. The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

Date of adoption by group

The Group will apply the standard from its mandatory adoption date on 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 Financial Instruments on the Group's financial statements.

(a) Impact on the financial statements

As a result of the changes in the Group's accounting policies, prior year financial statements had to be restated. As explained in Note 2.2(b) below, IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more details by standard below.

Consolidated statement of financial position (extract)	31 December		1 January
	2017	IFRS 9	2018
	As originally presented		Restated
Cash and cash equivalents	4,594,641	(23)	4,594,618
Term deposits	329,977	(9)	329,968
Total assets	5,972,080	(32)	5,972,048
Accumulated losses	(2,221,119)	(32)	(2,221,151)
Total equity	4,033,962	(32)	4,033,930

(b) IFRS 9 Financial Instruments – Impact of adoption

(i) Classification and measurement

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 2.11 below. In accordance with the transitional provisions in IFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

The total impact on the Group's accumulated losses as at 1 January 2018 is as follows:

Closing accumulated losses 31 December 2017 – IAS 39	(2,221,119)
Increase in provision for cash and cash equivalents	(23)
Increase in provision for term deposits	(9)
Adjustment to retained earnings from adoption of IFRS 9 on 1 January 2018	(32)
Opening accumulated losses 1 January 2018 – IFRS 9	(2,221,151)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.2 CHANGES IN ACCOUNTING POLICIES (Continued)

(b) IFRS 9 Financial Instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets

The Group has two types of financial assets that are subject to IFRS 9's new expected credit loss model:

- trade receivables;
- term deposits.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The identified increase of the loss allowance on 1 January 2018 was immaterial.

2.3 SUBSIDIARIES

2.3.1 Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Business combination

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by IFRSs.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.3 SUBSIDIARIES (Continued)

2.3.1 Consolidation (Continued)

Business combination (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

2.3.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 ASSOCIATES

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (a) below), after initially being recognised at cost.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.4 ASSOCIATES (Continued)

(a) Investments in associates in the form of ordinary shares

Investments in associates in the form of ordinary shares are accounted for using the equity method of accounting in accordance with IAS 28. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The Group's investments in these associates include goodwill identified on acquisition, net of any accumulated impairment loss. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill.

If the ownership interest in an associate in the form of ordinary shares is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

The Group determines at each reporting date whether there is any objective evidence that the investments in associates are impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to "share of losses of associates and joint ventures" in the consolidated statement of comprehensive income.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the consolidated statement of comprehensive income.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.5 JOINT VENTURE

The Group has assessed the nature of its jointly controlled entities and determined them to be joint ventures. The Group has rights to the net assets of these jointly controlled entities.

Interests in joint venture are accounted for using the equity method. Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and share of movements in other comprehensive income. Dividends received or receivable from joint venture are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint venture are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

2.6 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.7 FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is RMB since the Company's primary subsidiaries were incorporated and are operating in the PRC and these subsidiaries considered RMB as their functional currency. The consolidated financial statements is presented in RMB, which is the Company's functional and the Group's presentation currency (unless otherwise stated).

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses are presented in the statement of comprehensive income within "Other gains/(losses) – net".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.8 PROPERTY AND EQUIPMENT AND DEPRECIATION

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of comprehensive income in the year in which the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of comprehensive income in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalized as an additional cost of that asset or as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal assumptions used for this purpose are as follows:

Category	Expected useful life	Estimated residual value rate
Office and telecommunication equipment	3-5 years	5%
Leasehold improvements	Over the shorter of economic useful lives and terms of the leases	–

The useful lives and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.9 INTANGIBLE ASSETS

(a) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

(b) Other intangible assets

The Group's other intangible assets mainly include software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. The useful lives of intangible assets are assessed by the period of bringing economic benefits for the Group.

Intangible assets with finite lives are subsequently amortized on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

If the period of bringing economic benefits cannot be determined, intangible assets will be classified as indefinite intangible assets. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.9 INTANGIBLE ASSETS (Continued)

(b) Other intangible assets (Continued)

(i) Software

Acquired computer and mobile software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer and mobile software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(ii) Licenses

Licences include online drug sales license and other licences. They are initially recognised and measured at cost or estimated fair value of intangible assets acquired through business combinations.

(iii) The useful lives of intangible assets are set as below:

	Expected useful life
Software	3-5 years
Online drug sales license	Indefinite useful lives
Other licenses	5 years

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.10 IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group assesses at each reporting date whether there is an indication that a non-financial asset other than deferred tax assets may be impaired. If any such indication exists, or when annual impairment testing for a non-financial asset is required, the Group makes an estimate of the asset's recoverable amount. A non-financial asset's recoverable amount is the higher of the asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where the carrying amount of a non-financial asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to disposal, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For non-financial assets other than goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Group makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the statement of comprehensive income.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. The recoverable amount is the higher of its fair value less costs of disposal and its value in use, determined on an individual asset (or cash-generating unit) basis, unless the individual asset (or cash-generating unit) does not generate cash flows that are largely independent from those of other assets or groups of assets (or groups of cash-generating units). Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Intangible assets with indefinite useful lives are tested for impairment annually at each year end either individually or at the cash-generating unit level, as appropriate.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(c) *Measurement* (Continued)

Debt instruments (Continued)

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) *Impairment*

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 21 for further details.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(e) Accounting policies applied until 31 December 2017

Classification and measurement

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Until 31 December 2017, the Group classified financial assets within the scope of IAS 39 as financial assets at fair value through profit or loss and loans and receivables as appropriate.

The classification depends on the purpose for which the investments were acquired or originated. Financial assets are classified as at fair value through profit or loss where the Group's documented investment strategy is to manage financial investments on a fair value basis.

Financial instruments at fair value through profit or loss have two sub-categories namely financial instruments held for trading and those designated at fair value through profit or loss at inception. Financial instruments typically bought with the intention to sell in the near future are classified as held for trading. A financial instrument can only be designated at inception as at fair value through profit or loss and cannot be subsequently changed. For financial instruments designated at fair value through profit or loss, the following criteria must be met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing the gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed with their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial asset contains an embedded derivative that needs to be separately recorded.

The measurement at initial recognition did not change on adoption of IFRS 9, see description above. These financial instruments are initially recorded at fair value. Subsequent to initial recognition, they are remeasured at fair value. Fair value adjustments and realized gains and losses are recognised in the statement of comprehensive income.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables acquired by the Group are initially recognised at cost, being the fair value of the consideration paid for the acquisition of the investment. All transaction costs directly attributable to the acquisition are also included in the cost of the investment. Subsequent to initial recognition, these investments are carried at amortized cost, using the effective interest method less any provision for impairment. Gains and losses are recognised in the statement of comprehensive income when the investments are derecognised or impaired, as well as through the amortization process.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.11 INVESTMENTS AND OTHER FINANCIAL ASSETS (Continued)

(e) Accounting policies applied until 31 December 2017 (Continued)

Impairment

The Group assesses at the end of the reporting period the carrying amount of financial assets. If there is any objective evidence that a financial asset is impaired, the Group provides for such impairment losses. The objective evidence which indicates impairment of financial assets represents events actually occurring after initial recognition of financial assets which have an impact on the financial assets' estimated future cash flows, and the impact can be reliably measured.

Financial assets carried at amortized cost

If financial assets carried at amortized cost are impaired, the carrying amount of the financial assets is reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) and the reduction is recognised as an impairment loss in the statement of comprehensive income. The present value of estimated future cash flows shall be calculated with the financial asset's original effective interest rate and the related collateral value shall also be taken into account.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment, and recognises the amount of impairment in profit or loss. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognised are not included in the collective assessment for impairment.

After the Group recognises an impairment loss of financial assets carried at amortized cost, if there is objective evidence that the financial assets' value restores and the restoration can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss shall be reversed and recognised in profit or loss. However, the reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognised at the date the impairment was reversed.

2.12 OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 INVENTORIES

Inventories are mainly merchandise and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average process costing method. Costs of purchased inventories are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.14 TRADE RECEIVABLES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.15 CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash in hand and at banks, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.16 SHARE CAPITAL

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 TREASURY SHARES

Le An Xin (PTC) Limited ("Le An Xin") was set up as a special vehicle for the purpose of holding the ordinary shares for the Company's employees under the Share Option Plan which will be awarded to employees in the future (the "Trustee"). As the Company has the power to govern the relevant activities of Le An Xin and can derive benefits from the contributions of the eligible directors, employees and other persons (collectively, the "Grantees"), the directors of the Company consider that it is appropriate to consolidate Le An Xin.

2.18 TRADE AND OTHER PAYABLES

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(a) Contract liabilities of "Health 360" plans

Contract liabilities of "Health 360" plans include unearned revenue liabilities and claim liabilities.

Unearned revenue liabilities

Unearned revenue liabilities are recognised at inception of "Health 360" contracts until the contract coverage expires. The unearned revenue liabilities represent revenue received for risks that have not yet expired. At inception of the contract, it represents revenue received or receivable minus relevant acquisition costs. Acquisition costs in relation to the sale of new "Health 360" contracts such as handling charges and commissions, tax and surcharges and other incremental costs are recorded as expenses in profit or loss against an equal and opposite amount of earned revenue being recognised. Subsequent to initial recognition, unearned revenue liabilities are released on a 1/365 basis according to the contract coverage period. When any deficiency arises from performing the liability adequacy tests as described below, unearned revenue liabilities have to be adjusted to reflect the deficiency.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.18 TRADE AND OTHER PAYABLES (Continued)

(a) Contract liabilities of "Health 360" plans (Continued)

Claim liabilities

Other than unearned revenue liabilities, "Health 360" contract liabilities are measured based on reasonable estimates of the payments that the Group will make to fulfill the relevant obligations under the contracts. These estimates represent the difference between expected future cash outflows and inflows under such contracts.

- Expected future cash outflows represent reasonable cash outflows which are necessary for the Group to fulfill the obligations under the contracts, and mainly include: (a) guaranteed benefits or claims under the contracts; (b) reasonable expenses necessary for maintaining and serving the contracts, obligation handling, including membership maintenance expenses, claim expenses, etc.
- Expected future cash inflows represent cash inflows from assuming contractual obligations.

A reasonable estimate of expected future net cash flows is determined based on information currently available as at the end of the reporting period.

Liability adequacy tests

At the end of each reporting period, liability adequacy tests are performed to ensure the adequacy of unearned revenue liabilities. If, after applying a risk margin, the amount of expected present value of cash outflows minus the expected present value of cash inflows exceeds the carrying amount of the unearned revenue liabilities, the entire deficiency is recognised in profit or loss of the period in which the deficiency arises. Unearned revenue liabilities may have to be adjusted if there is any deficiency arising from the performance of these tests.

2.19 EMPLOYEE BENEFITS

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as other payables in the consolidated statement of financial position.

(b) Pension obligations

The employees of the Group are mainly covered by various defined contribution pension plans. The Group makes and accrues contributions on a monthly basis to the pension plans, which are mainly sponsored by the related government authorities that are responsible for the pension liability to retired employees. Under such plans, the Group has no other significant legal or constructive obligations for retirement benefits beyond the said contributions, which are expensed as incurred. Certain employees are also provided with group life insurance but the amounts involved are insignificant.

(c) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

(d) Medical benefits

The Group makes monthly contributions for medical benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.20 SHARE-BASED PAYMENTS

An equity-settled share-based compensation plan was granted to the employees, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance;
- excluding the impact of any service and non-market performance vesting conditions;
- including the impact of any non-vesting conditions

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

If the terms of an equity-settled award are modified, at a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

2.21 REVENUE RECOGNITION

Revenues are recognised when, or as, the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

The progress towards complete satisfaction of performance obligation, depending on the nature of the good and service to be transferred, is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value of individual services transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 REVENUE RECOGNITION (Continued)

If contracts involve the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made or the a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

The following is a description of the accounting policy for the principal revenue streams of the Group.

(a) Family doctor services

Family doctor services consist primarily of online consultation, hospital referral and appointment, inpatient arrangement and second opinion services provided by the AI-assisted in-house medical team of the Group. During the reporting period, this revenue stream is primarily derived from (1) family doctor services to commercial insurance policyholders; (2) family doctor services provided to individual customers; (3) "Health 360" plans; and (4) "Corporate 360" subscription plans.

Revenue from family doctor services is recognised on a gross basis as the Group is regarded as the primary obligor since the Group has the ability to determine the pricing of the services, nature of services and is responsible for providing the services by its employees.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 REVENUE RECOGNITION (Continued)

(a) Family doctor services (Continued)

Family doctor services to commercial insurance policyholders

This revenue stream is primarily derived from transactions with Ping An Life Insurance Company of China, Ltd. ("Ping An Life") and Ping An Health Insurance Company of China, Ltd. ("Ping An Health"). The Group enters into agreements with Ping An Life and Ping An Health on annual basis to offer family doctor services to the policyholders of Ping An Life and Ping An Health. In addition to family doctor services, certain policyholders of Ping An Health are entitled to certain free healthcare products. Policyholders of Ping An Life are entitled to the services under family doctor services free of charge whenever the agreement with Ping An Life is effective while the policyholders of Ping An Health are entitled to the service under family doctor services free of charge when the insurance policies are effective, which is typically for a period of one year. The Group charges Ping An Life on an annual basis at a fixed fee regardless of the usage of the services or head count of consumers and charges Ping An Health based on a fixed fee per individual headcount per annum. The Group charges one quarter of the annual fee to Ping An Life every three months in arrears while it charges Ping An Health for the annual fee in advance based on the number of the policyholders entitled to the family doctor services and free healthcare products for the coming year.

The packages of services are considered to consist of multiple elements of services. The transaction price is allocated between the family doctor services and healthcare products offered based on their relative stand-alone selling prices.

The revenue of the healthcare products to the policyholders of Ping An Health is recognised when the products are delivered while the revenue of family doctor services for Ping An Life and Ping An Health is recognised over the one-year contract period since the Group is obligated to provide a kind of standby service on a when-and-if-available basis to customers.

The contract payments are non-cancellable and non-refundable. The Group records a receivable from Ping An Life for the family doctor services after the services are rendered on a quarterly basis as the payment is in arrears and its right to consideration is unconditional. The Group records payment due from Ping An Health for the family doctor services and healthcare products as receivable when Ping An Health is obligated to pay for the service based on the head count of the customers within the service scope for the coming year and the corresponding unsatisfied performance obligation is recorded as contract liabilities.

Family doctor services provided to individual customers

The Group also offers a wide range of family doctor services to individual users at various retail prices through its mobile app, including electronic prescription services and corresponding sales of medical products.

The revenue of the family doctor services is recognised when such services are rendered, which is usually immediately upon the payments are made, while revenue of the medical products is recognised when such products are delivered. Since individual customers are usually required to make payments in advance for the family doctor services and medical products, the unsatisfied performance obligation is recorded as contract liabilities accordingly.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 REVENUE RECOGNITION (Continued)

(a) *Family doctor services* (Continued)

“Health 360” plans

The Group has deepened cooperation with commercial insurance companies and launched a “Health 360” plan. The insurance policyholders of Ping An Life could choose to join this membership plan which integrates online consultations, offline medical treatments and express pharmaceutical delivery. The services include family doctor services such as hospital appointment and inpatient arrangement at hospitals, domestic and overseas second opinion services, and follow-up visit arrangements, and most services will be fulfilled on the condition that the insurance contracts with Ping An Life incur claim.

The inception date for the “Health 360” plans is prescribed in the contracts with policyholders and the duration for the membership plans is usually one year which co-relates the validity period of insurance contracts.

The membership plans demonstrate certain features of an insurance contract, where one party accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder, and fall in the scope of application of IFRS 4. Thus, the revenue of “Health 360” plans is recognised based on the total transaction amount stated in the contracts when the contract is issued and the related insurance risk is undertaken by the Group, the economic benefits associated with the insurance contract will probably flow to the Group and when the revenue can be measured reliably. The related liabilities of “Health 360” plans are recorded in “Trade and other payables”, the measurement of such liabilities is explained in Note 2.18.

“Corporate 360” subscription plans

The Group offers “Corporate 360” subscription plans to corporate customers, which provide their employees with the online consultation services with medical experts and traditional Chinese medicine doctors as well as telephone consultations.

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as contract assets and are subsequently amortised when the related revenue is recognised.

The Group charges corporates at a fixed fee taking into consideration of the expected usage of the services and head count of employees. Since the corporate customers are usually required to make payments upon subscription of services, the Group records contract liabilities as there is unsatisfied performance obligation owing to customers. The revenue of this service is recognised when the performance obligation is satisfied over the contract period.

(b) *Consumer healthcare*

The Group provides a variety of standardized service packages that integrate services at healthcare institutions to meet the incremental, preventive and other health-related needs of the users, such as health check-ups, genetic testing and beauty care. Consumer healthcare of the Group principally generates revenue from selling the standardized service packages to individual customers or corporate customers. Different types of service packages provide the customers with a specific number of times of services for each service offered.

The service packages are considered to consist of multiple elements of services and products as individual services within the packages are regarded as separate performance obligations. The transaction price is allocated to each of the services and healthcare products in the service package based on their relative stand-alone selling prices.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 REVENUE RECOGNITION (Continued)

(b) Consumer healthcare (Continued)

The revenue of the health products is recognised when the products are delivered while the revenue of services is recognised upon the individual service is rendered to customers.

The Group sells the consumer healthcare packages either to individuals on a retail basis or to corporate customers for the benefit of their employees on a wholesale basis. The consumer healthcare service packages are offered to corporate customers through the sales team of the Group, and to individual customers through health mall or individual agents. Such individual agents have entered into agency agreements with Ping An Insurance (Group) Company of China, Ltd. ("Ping An") and its subsidiaries ("Ping An Group") and agreed to market Ping An Group's products only (the "Life Insurance Agents"). The Group has entered into product and service referral arrangement with the Life Insurance Agents. The Life Insurance Agents are not employed by Ping An Group and have referred the products and services to customers on voluntary basis without Ping An Group's participation. Payments for consumer healthcare packages are settled by retail customers before delivery of service packages while payments for corporate customers can be settled in arrears after delivery depending on whether there is a credit term granted to the corporate customers.

The Group pays compensation to the Life Insurance Agents at a pre-agreed percentage of the sales of products or services referred by the agents. The compensation paid for selling the service packages are capitalised and presented as contract assets which are subsequently amortised to profit and loss when the relevant revenue is recognised.

The service packages are non-refundable. The customers have to activate the service packages via the Group's online platform before the expiry date as pre-printed in the packages. Once the service packages are activated, the customers can consume the services within one year after activation. Breakage for the service packages is the extent to which outstanding performance obligations are not required because the customer does not take up all the services or goods within the valid period. During the reporting period, with limited historical data for estimating breakage, the Group cannot reasonably estimate the amount of such breakage. Accordingly, the Group recognises breakage amount as revenue upon the expiry date which is the later of expiry date pre-printed in the service package or one year after activation.

The online consultation services and hospital appointment services are performed by service team of the Group. The Group is also continually expanding the network with healthcare institutions which provide offline services. Consumer healthcare customers can select the healthcare institutions from the Group's pre-determined list of service providers through the Group online platform. The Group has the sole discretion to select the healthcare institutions and the purchase prices are negotiated separately with healthcare institutions. Since the Group has the ability to determine the pricing of the products or services and has the sole discretion to determine the healthcare institutions, to take responsibility for monitoring the quality of services provided and to negotiate the service terms, the Group is regarded as the primary obligor and recognises revenue from consumer healthcare on a gross basis.

The Group records contract liabilities for purchases from customers who made payments for service packages before rendering of services since there is unsatisfied performance obligation owing to customers. For those customers who purchase service packages with credit terms, the Group records a receivable when its right to consideration is unconditional, which is normally upon service packages are delivered to customers. The contract liabilities are recognised as revenue over the period during which the individual services are rendered or goods are transferred to customers.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 REVENUE RECOGNITION (Continued)

(c) Health mall

The Group's health mall provides diversified and evolving product offerings, including (i) healthcare products such as medicines, health supplements and medical devices, (ii) wellness products such as fitness equipment and accessories and personal care products, as well as (iii) other products. Health mall revenue stream of the Group principally generates revenue from selling the products by the Group ("direct sales"), or from the commission income earned from third-party merchants ("marketplace"). The Group generates revenue from mobile app, WAP website as well as plug-ins of Ping An mobile apps.

The Company operates the health mall under two business models, mainly the direct sales model and the marketplace model.

Direct sales

Under the direct sales model, the Group procures merchandise from suppliers and sells products directly to consumers through the platform. The suppliers consist primarily of distributors in the PRC. The Group is entitled to determine pricing and adjust offerings of products.

In this business model, the Group either manages its own inventories or has suppliers manage inventories and arrange delivery within 48 hours of the order placed. In the former situation, the Group manages inventories by adjusting inventories level based on fluctuation in supply and prices, seasonality, popularity of a particular product and also by taking into consideration of shelf life of pharmaceutical products. The Group either makes sales promotion plans or reports inventories write-downs depending on the status of the inventories. The Group also provides after-sales services, attends customers' complaints and responds to return requests. The Group generally requires the suppliers to cooperate with the Group in attending to customers' complaints and responding to return requests.

Under direct sales model, since the Group has sole discretion in determining the pricing, and has the obligation to fulfill the order, provide after-sales services, attend to customers' complaints and respond to return requests, the Group considers it is a principal and recognises revenue under direct sales model based on the gross amount of products sales. The Group recognises revenue net of discounts and return allowances upon the time when the products are delivered to customers. Return allowances, which reduce net revenue, are estimated based on historical experiences. The Group offers its customers an unconditional right of return for a period of seven days on sales from its platform upon receipt of products. The Group recognises sales revenue from platform when products are delivered to customers while historical returns are insignificant.

Payment for the ordered products is generally made upon orders placed by individual customers in platform and goods are dispatched within 48 hours after orders are placed. External logistics companies are responsible for delivery to customers. In certain cases, direct sales in sales mall are also sold to corporate customers with credit terms ranging from 5 days to 30 days.

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For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.21 REVENUE RECOGNITION (Continued)

(c) *Health mall* (Continued)

Direct sales (Continued)

The Group also sells prepaid health mall cards to corporate customers in credit terms. The Group has unconditional rights to receive the consideration after the prepaid health mall cards are delivered to customers, and therefore, the Group recognises receivables and contract liabilities accordingly. The contract liabilities are recognised as revenue when the products are delivered to customers.

Marketplace

The Group also provides an online marketplace that enables third-party vendors to sell their products to customers in the Group's online platform. The marketplace vendors consist primarily of pharmacy chains and overseas shopping service providers. The commission fees are generally charged as a percentage of the merchandise sales depending on the product category and terms of contracts with the vendors.

The marketplace vendors manage inventories on their own and the vendors are responsible for product delivery as well. Delivery of products is required within 24 hours after order placing for pharmacy chains or 96 hours after order placing for overseas shopping. The vendors are also responsible for after sales services, attending to customers' complaints and responding to return requests. Revenue related to commissions is recognised on a net basis and when the orders are placed and payments are made by customers while historical returns on sales from platform are insignificant. Payment terms with third-party vendors are usually settled on a monthly basis for the commissions earned during the period.

(d) *Health management and wellness interaction*

The Group devises various wellness programs, tools and activities and introduces personalized content to its users to help maintain healthy lifestyle. The revenue from health management and wellness interaction is principally generated from advertisements placed by advertising agents or direct customers, for the purpose of assisting users in cultivating healthy lifestyle. The Company works with pharmaceutical and other health products companies as well as advertisement agencies for the advertising business.

The Group mainly offers three types of advertisements, namely, display, search and sponsored stories through its mobile app. Display advertising involves placing images or rich media content alongside its platform and content. Search advertising places text-based advertisements alongside user query results. Sponsored story advertising delivers promotional marketing messages through editorial content via its health management and wellness interaction platform. Advertising fee is charged primarily on per thousand impressions, per click or per display duration basis. Revenue from advertisements of number of impressions or clicks is recognised based on the actual number and unit price agreed in the contract while revenue from advertisements of display duration is recognised over the period during which the advertisements are displayed.

The advertisers are usually required to pay for the advertisement in advance. The contracts are non-cancellable and non-refundable. The Group records receivables and contract liabilities correspondingly when the advertising contracts are signed with customers since the Group has unconditional rights to payments of advertising services which are due according to the contract terms. The contract liabilities are recognised as revenue when the advertisements are displayed or services are provided.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.22 LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.23 INTEREST INCOME

Interest income on financial assets at amortised cost is calculated by the effective interest method. Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.24 DIVIDEND INCOME

Dividend income is recognised when the right to receive payment is established.

2.25 GOVERNMENT GRANTS

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

2.26 TAX

Income tax comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income, or in other comprehensive income or in equity if it relates to items that are recognised in the same or a different period directly in other comprehensive income or in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

2 Summary of Significant Accounting Policies (Continued)

2.26 TAX (Continued)

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Conversely, previously unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk

The Group's activities expose it to a variety of financial risks: financial risk including market risk (comprising currency risk, price risk and interest rate risk), credit risk, liquidity risk and insurance risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group.

3.1 FINANCIAL RISK

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks, which arise from foreign exchange rates (currency risk), market prices (price risk) and market interest rates (interest rate risk).

Currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. Fluctuations in exchange rates between the RMB and other currencies in which the Group conducts business may affect its financial position and results of operations. The foreign currency risk assumed by the Group mainly comes from movements in the USD/RMB exchange rates. The Group mainly operates in the PRC with most of the transactions settled in RMB. The Group is not exposed to foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currency, except for the cash and cash equivalents, term deposits and financial assets at fair value through profit or loss in USD which were primarily received from the investors as capital contributions as mentioned in Note 23 and Note 24.

Sensitivities

The analysis below is performed for reasonably possible movements in key variables with all other variables held constant, showing the pre-tax impact on profit and equity. The correlation of variables will have a significant effect on determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis.

The Group is primarily exposed to changes in USD/RMB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial assets.

Currency	Changes in exchange rate	Impact on profit and equity	
		31 December 2018	31 December 2017
USD	+ 5%	173,838	233,282
USD	- 5%	(173,838)	(233,282)

Price risk

The Group's price risk exposure relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign currency risk), which mainly include investment classified as financial assets at fair value through profit or loss.

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(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.1 FINANCIAL RISK (Continued)

(a) Market risk (Continued)

Price risk (Continued)

The above investments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

To manage its price risk arising from the investments, the Group diversifies its investment portfolio. The investments are made either for strategic purposes, or for the purpose of achieving investment yield and balancing the Group's liquidity level simultaneously. Each investment is managed by senior management on a case by case basis.

Sensitivity analysis is performed by management to assess the exposure of the Group's financial results to equity price risk of financial assets at fair value through profit or loss at the end of each reporting period. If equity prices of the respective instruments held by the Group had been 5% (2017: 5%) higher/lower as at 31 December 2018, profit of loss for the year would have been approximately RMB19,695 thousand (31 December 2017: RMB0) higher/lower, excluding the wealth management product issued by a bank with principal guaranteed which is redeemable upon request by holders and barely exposed to significant price risk.

Interest rate risk

Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk.

All of the Group's financial assets at fair value through profit or loss are equity investments which do not expose the Group to interest rate risk. The Group has no significant interest-bearing assets except for cash and cash equivalents and term deposits, details of which have been disclosed in Note 24.

(b) Credit risk

The Group's credit risk is mainly associated with cash and cash equivalents, term deposits, financial assets at fair value through profit or loss, trade receivables and other receivables. The carrying amounts of each class of the above financial assets represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's cash and cash equivalents, term deposits and financial assets at fair value through profit or loss are mainly deposited in reputable banks and financial institutions which are generally considered to be relatively stable. The Group considers that there is no significant credit risk and does not generate any material losses due to the default of the other parties.

The Group's trade receivables mainly come from customers. The Group mitigates credit risk by setting a shorter credit period or arranging the instalment payment and prepayment method.

For other receivables, the Group makes periodic collective assessment as well as individual assessment on the recoverability of other receivables based on historical settlement records and historical experience.

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(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.1 FINANCIAL RISK (Continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents and marketable securities to mitigate its liquidity risk. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are undiscounted contractual cash flows.

	As at 31 December 2018					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Liabilities:						
Trade and other payables	–	1,163,713	–	–	47	1,163,760

	As at 31 December 2017					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Liabilities:						
Trade and other payables	–	1,091,082	–	–	44	1,091,126

3.2 INSURANCE RISK

Insurance risk refers to the risk that actual indemnity might exceed expected indemnity due to the frequency and severity of insurance accidents. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of contract liabilities of "Health 360" plans. This could occur due to any of the following factors:

- Occurrence risk – the possibility that the number of insured events will differ from those expected.
- Severity risk – the possibility that the cost of the events will differ from those expected.
- Development risk – the possibility that changes may occur in the amount of the Group's obligation at the end of the contract period.

The variability of risks is improved by diversification of risk of loss to a large portfolio of "Health 360" contracts as a more diversified portfolio is less likely to be affected across the board by change in any subset of the portfolio. The variability of risks is also improved by careful selection and implementation of business developing strategies and guidelines.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.2 INSURANCE RISK (Continued)

Key assumptions

The principal assumptions underlying the estimates include assumptions in respect of average claim costs, obligation handling costs, claims inflation factors and obligation fulfilling numbers for each year which are determined based on the similar industry benchmark and experience data. Additional judgment is used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key assumptions include delays in settlement, etc.

Sensitivities

The "Health 360" plans claim liabilities are sensitive to the above key assumptions. The sensitivity of certain variables including legislative change, uncertainty in the estimation process, etc., is not possible to quantify. Furthermore, because of delays that arise between the occurrence of a claim and its subsequent notification and eventual settlement, the outstanding claim liabilities are not known with certainty at the end of the reporting period.

To illustrate the sensitivities of ultimate claim costs, while other assumptions remain unchanged, a 5% increase in average claim costs would increase claim liabilities for "Health 360" plans contracts as at 31 December 2018 by RMB826 thousand (31 December 2017: RMB0).

Contract liabilities of "Health 360" plans

	31 December 2018	31 December 2017
Unearned revenue liabilities	45,955	–
Claim liabilities	12,028	–
	57,983	–

Movements of contract liabilities of "Health 360" plans

Movements of unearned revenue liabilities

	Contract liabilities of "Health 360" plans
As at 31 December 2017	–
Increase	96,045
Decrease	(50,090)
As at 31 December 2018	45,955

Movements of claim liabilities

	Contract liabilities of "Health 360" plans
As at 31 December 2017	–
Increase	16,293
Decrease	(4,265)
As at 31 December 2018	12,028

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.3 CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long-term.

The Group monitors capital (including share capital and reserves) by regularly reviewing the capital structure. As a part of this review, the Company considers the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

3.4 FAIR VALUE ESTIMATION

Fair value estimates are made at a specific point in time based on relevant market information and information about financial instruments. When an active market exists, such as an authorized securities exchange, the market value is the best reflection of the fair values of financial instruments. For financial instruments where there is no active market, fair value is determined using valuation techniques.

The Group's financial assets mainly include financial assets at fair value through profit or loss.

Determination of fair value and fair value hierarchy

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchies. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three broad levels. The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

The levels of the fair value hierarchy are as follows:

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

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyse and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

3 Management of Financial Risk and Insurance Risk (Continued)

3.4 FAIR VALUE ESTIMATION (Continued)

Determination of fair value and fair value hierarchy (Continued)

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement, and valuation methodologies such as discounted cash flow models and other similar techniques.

For assets and liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following tables provide the fair value measurement hierarchy of the Group's financial assets and liabilities:

	As at 31 December 2018			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Equity investments	–	520,738	–	520,738

	As at 31 December 2017			Total
	Level 1	Level 2	Level 3	
Assets measured at fair value				
Financial assets at fair value through profit or loss				
– Equity investments	–	272,665	–	272,665

During the year, there were no transfers among different levels of fair values measurement.

Valuation techniques

The fair value of the unquoted equity investments has been determined using valuation techniques such as comparable company valuation multiples, recent transaction prices of the same or similar instruments, with appropriate adjustments made where applicable, for example, for lack of liquidity using option pricing models. The valuation requires management to make certain assumptions about unobservable inputs to the model, which mainly include historical volatility and estimated time period prior to the listing of the unquoted equity instruments, etc. The fair value of the unquoted equity investments is not significantly sensitive to a reasonable change in these unobservable inputs.

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(All amounts expressed in RMB thousand unless otherwise stated)

4 Critical Accounting Estimates and Judgments

The Group makes estimates and judgments that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities in these financial statements. Estimates and judgments are continually assessed based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, management has made the following judgments and accounting estimation, which have the most significant effect on the amounts recognised in the financial statements.

(a) RECOVERABILITY OF NON-FINANCIAL ASSETS

The Group tests annually whether goodwill has suffered any impairment. Goodwill and other non-financial assets, mainly including property, plant and equipment, other intangible assets and investments in associates and joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts have been determined based on fair value less costs of disposal or value-in-use calculations. These calculations require the use of judgements and estimates.

Judgement is required to identify any impairment indicators existing for any of the Group's goodwill, other non financial assets, to determine appropriate impairment approaches, i.e., fair value less costs of disposal or value in use, for impairment review purposes, and to select key assumptions applied in the adopted valuation models, including discounted cash flows and market approach. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and in turn affect the Group's financial position and results of operations. If there is a significant adverse change in the key assumptions applied, it may be necessary to take additional impairment charge to the consolidated statement of comprehensive income.

(b) PRINCIPAL VERSUS AGENT CONSIDERATIONS

Revenue from provision of consumer healthcare services

The Group engages third party vendors (such as health check clinics) to provide certain consumer healthcare services to the customers. In determining whether the Group is acting as a principal or as an agent in the provision of consumer healthcare services requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group acting as a principal or an agent, the Group considers whether it obtains control of the service and if necessary, also considers individually or in combination, whether the Group is primarily responsible for fulfilling the contract, is subject to inventory risk, has discretion in establishing prices. Having considered the relevant facts and circumstances, management considers that the Group obtains control of the services before they are transferred to the customer. Accordingly, the Group is acting as a principal for the consumer healthcare services and the related revenue is presented on a gross basis.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

4 Critical Accounting Estimates and Judgments (Continued)

(b) PRINCIPAL VERSUS AGENT CONSIDERATIONS (Continued)

Revenue from sales of goods via online health mall

The Group offers a wide spectrum of products via its online health mall to its customers. The Group's business model via online health mall can be further categorised into two types, that is, online direct sales; and marketplace.

In determining whether the Group is acting as a principal or as an agent in the sales of goods via online health mall requires judgement and consideration of all relevant facts and circumstances. In evaluation of the Group acting as a principal or an agent, the Group considers whether it obtains control of the goods and if necessary, also considers individually or in combination, whether the Group is primarily responsible for fulfilling the contract, is subject to inventory risk, has discretion in establishing prices. Significant judgement is required when inventory risk is not significant. Having considered the relevant facts and circumstances, management considers that the Group obtains control of goods sold through online direct sales while the Group does not obtain control of goods sold through marketplace before the goods are transferred to the customers. Accordingly, the Group is acting as a principal for the online direct sales and the related revenue is presented on a gross basis while the Group is acting as an agent for the marketplace and the related revenue is presented on a net basis.

(c) PROVISION FOR SALES PROMOTION

As disclosed as promotion expenses in Note 6, the Group provides "healthy reward points" for free to the users of the Group's mobile platform, including those who are not existing service buyers of the Group. Registered users may earn "healthy reward points" through the "step-for-reward" plans which were launched on 4 December 2015, based on the walk steps counted by the Group's mobile platform. The users can use the "healthy reward points" to redeem goods in the health mall of the Group's mobile platform without minimum purchase amount requirements. The "healthy reward points" expire by the end of the next year of issuance. Costs of "healthy reward points" awarded based on the users' walk steps are included in promotion expenses which are recorded upon the issuance of points to users, and such outstanding "healthy reward points" are recognised as provision for sales promotion. Significant estimates on the expected redemption rate by the users and unit value of each "healthy reward point" are required to be made by the Group through analysis of historical redemption pattern with an adjustment of the change in anticipated redemption behaviour of the registered users and the estimated unit value of the points when evaluating the provision for sales promotion.

(d) UNCERTAIN TAX POSITIONS

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilized. In assessing whether such unused tax losses can be utilized in the future, the Group needs to make judgments and estimates on the ability of each of its subsidiary to generate taxable income in the future years. Based on current information available and the tax planning strategies, the Group considers there is uncertainty regarding whether the unused tax losses could be utilized before expiration. Thus, the Group currently has not recognised any deferred tax assets resulting from operating loss and deductible temporary differences.

Notes to the Consolidated Financial Statements

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(All amounts expressed in RMB thousand unless otherwise stated)

5 Revenue and Segment Information

(a) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group's business activities, for which discrete financial statements are available, are regularly reviewed and evaluated by CODM. CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company that make strategic decisions. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Family doctor services
- Consumer healthcare
- Health mall
- Health management and wellness interaction

CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment which is used by management as a basis for the purpose of resource allocation and assessment of segment performance. The selling and marketing expenses and administrative expenses are not included in the measurement of the segments' performance. Other income, other gains/(losses) – net, finance income/(costs) – net, share of losses of associates and joint ventures, and income tax expense are also not allocated to individual operating segments.

Revenues from external customers reported to CODM are measured as segment revenue, which is derived from the customers in each segment. Cost of sales primarily comprises cost of medical service fee, inventories consumed, salary and compensation expenses, and others.

The segment information provided to CODM is measured in a manner consistent with that applied in these financial statements. There was no information on separate segment assets and segment liabilities provided to CODM, as CODM does not use such information to allocate resources to or evaluate the performance of the operating segments.

The revenue segment information reported to CODM for reporting period is as follows:

For the year ended 31 December 2018

	Family doctor services	Consumer healthcare	Health mall	Health management and wellness interaction	Total
Revenue from customers	410,729	905,442	1,864,431	157,247	3,337,849
Medical related services	357,973	903,706	74,028	–	1,335,707
Sales of goods	52,051	1,736	1,760,023	–	1,813,810
Commission income	705	–	30,380	–	31,085
Advertising and other services	–	–	–	157,247	157,247
Cost of sales	245,977	487,344	1,663,503	29,087	2,425,911
Gross Profit	164,752	418,098	200,928	128,160	911,938

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For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

5 Revenue and Segment Information (Continued)

(a) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

For the year ended 31 December 2017

	Family doctor services	Consumer healthcare	Health mall	Health management and wellness interaction	Total
Revenue from customers	242,163	655,397	896,122	74,339	1,868,021
Medical related services	241,350	652,460	–	–	893,810
Sales of goods	813	2,937	859,639	–	863,389
Commission income	–	–	36,483	–	36,483
Advertising and other services	–	–	–	74,339	74,339
Cost of sales	99,638	351,249	791,529	13,535	1,255,951
Gross Profit	142,525	304,148	104,593	60,804	612,070

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC.

As at 31 December 2018, substantially all of the non-current assets of the Group were located in the PRC.

(b) CONTRACT ASSETS AND LIABILITIES

The Group has recognised the following revenue-related contract assets and liabilities.

	Year ended 31 December	
	2018	2017
Contract assets		
Family doctor services	7,100	–
Consumer healthcare	53,820	57,970
	60,920	57,970
Contract liabilities		
Family doctor services	67,613	72,959
Consumer healthcare	426,739	424,711
Health mall	92,695	98,382
Health management and wellness interaction	31,605	44,543
	618,652	640,595

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For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

5 Revenue and Segment Information (Continued)

(b) CONTRACT ASSETS AND LIABILITIES (Continued)

(i) Significant changes in contract assets and liabilities

Contract assets representing the compensation paid for obtaining the contracts for the family doctor services and consumer healthcare business. The increase in the contract assets are mainly attributable to the increase of sales of "Corporate 360" subscription plans.

Contract liabilities for the consumer healthcare business and health mall business mainly arise from the service packages as well as prepaid health mall cards sold to the customers upon which the performance obligations have been established while the underlying services and goods are to be provided. Contract liabilities for health management and wellness interaction business are due to the contract signed with advertisers while the Group has unconditional rights to consideration based on contract terms.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised during the year relates to carried-forward contract liabilities.

	Year ended 31 December	
	2018	2017
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Family doctor services	72,959	68,105
Consumer healthcare	417,911	374,637
Health mall	98,382	13,749
Health management and wellness interaction	44,543	2,232
	633,795	458,723

(iii) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations as at 31 December 2018 and 2017.

	At 31 December	
	2018	2017
Family doctor services	67,613	72,959
Consumer healthcare	426,739	424,711
Health mall	92,695	98,382
Health management and wellness interaction	87,059	65,067
	674,106	661,119

Management expects that 90% of the transaction price allocated to the unsatisfied contracts as of 31 December 2018 will be recognised as revenue during the next reporting period. The remaining 10% will be recognised in the 2020 financial year.

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For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

5 Revenue and Segment Information (Continued)

(b) CONTRACT ASSETS AND LIABILITIES (Continued)

(iv) Assets recognised from incremental costs to obtain a contract

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to incremental costs to obtain a contract. This is presented within contract assets in the statement of financial position.

	Year ended 31 December	
	2018	2017
Asset recognised from costs incurred to obtain a contract at 31 December 2017 and 2018		
Family Doctor Services	7,100	–
Consumer healthcare	53,820	57,970
	60,920	57,970
Amortisation recognised as selling and marketing expenses for provision of services during the period		
Family Doctor Services	13,899	–
Consumer healthcare	93,670	64,963
	107,569	64,963

In adopting IFRS 15, the Group recognised an asset in relation to compensation charged for products and service referred from external agencies which is incremental cost incurred to obtain a contract. The asset is amortized over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. There were no impairment losses recognised on any contract assets.

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6 Expenses by Nature

	Year ended 31 December	
	2018	2017
Cost of merchandise	1,667,548	792,223
Employee benefit expenses (Note 7)	910,148	658,584
Cost for service fee paid to vendors	542,290	348,711
Advertising expenses	392,487	264,610
Promotion expenses (Note 4(c))	278,472	213,670
Commission expenses	247,585	95,547
Consulting expenses	156,193	58,268
Postage and communication expenses	97,394	35,349
Leasing expenses	61,834	52,537
Change of contract liabilities of "Health 360" plans	57,983	–
Depreciation of property, plant and equipment	38,169	26,432
Travelling and convention expenses	34,041	15,931
Listing expenses	18,244	34,304
Tax and surcharges	17,818	12,485
Remuneration of the Auditors	6,590	1,456
Others	132,272	80,065
	4,659,068	2,690,172

7 Employee Benefit Expenses (Including directors' remuneration)

	Year ended 31 December	
	2018	2017
Wages, salaries and bonuses	568,921	463,882
Welfare and other benefits	214,282	147,072
Share-based payments (Note 27)	126,945	47,630
	910,148	658,584

8 Directors' Remuneration

(i) DIRECTORS' AND THE CHIEF EXECUTIVE'S EMOLUMENTS

	Year ended 31 December	
	2018	2017
Wages, salaries and bonuses	13,697	12,739
Share-based payments	7,428	3,035
Pension costs – defined contribution plans	–	–
Other social security costs, housing benefits and other employee benefits	573	572
	21,698	16,346

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8 Directors' Remuneration (Continued)

(i) DIRECTORS' AND THE CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

The remuneration of each director for the year ended 31 December 2018 is set out as follows:

	Year ended 31 December 2018				
	Wages, salaries and bonuses	Pension costs – defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
Executive directors					
– Wang Tao (Chairman)	12,589	–	573	7,428	20,590
Non-executive directors					
– Law Siu Wah Eddie	–	–	–	–	–
– Cai Fang Fang	–	–	–	–	–
– Yao Jason Bo	–	–	–	–	–
– Lee Yuan Siong	–	–	–	–	–
– Wang Wenjun	–	–	–	–	–
– Dou Wenwei	–	–	–	–	–
Independent non-executive directors					
– Tang Yunwei ¹	277	–	–	–	277
– Guo Tianyong ¹	277	–	–	–	277
– Liu Xin ¹	277	–	–	–	277
– Chow Wing Kin Anthony ¹	277	–	–	–	277
	13,697	–	573	7,428	21,698

The remuneration of each director for the year ended 31 December 2017 is set out as follows:

	Year ended 31 December 2017				
	Wages, salaries and bonuses	Pension costs – defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based payments	Total
Executive directors					
– Wang Tao (Chairman)	12,739	–	572	3,035	16,346
Non-executive directors					
– Law Siu Wah Eddie	–	–	–	–	–
– Cai Fang Fang	–	–	–	–	–
– Rong Guo Qiang ²	–	–	–	–	–
– Tan Hendra ²	–	–	–	–	–
– Yao Jason Bo	–	–	–	–	–
– Lee Yuan Siong	–	–	–	–	–
– Wang Wenjun ³	–	–	–	–	–
– Dou Wenwei ³	–	–	–	–	–
	12,739	–	572	3,035	16,346

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8 Directors' Remuneration (Continued)

(i) DIRECTORS' AND THE CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes:

1. *Appointed as independent non-executive directors since May 2018*
2. *Resign from non-executive directors since October 2017*
3. *Appointed as non-executive directors since October 2017*
4. *No director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office. No director waived or has agreed to waive any emoluments during the years ended 31 December 2018 and 2017.*

(ii) DIRECTORS' RETIREMENT BENEFITS

There was no retirement benefits paid to the directors during 2018 and 2017.

(iii) DIRECTORS' TERMINATION BENEFITS

There was no termination benefits paid to directors during 2018 and 2017.

(iv) CONSIDERATION PROVIDED TO THIRD PARTIES FOR MAKING AVAILABLE DIRECTORS' SERVICES

There was no payment to third parties for making available directors' services during 2018 and 2017.

(v) INFORMATION ABOUT LOANS, QUASI-LOANS AND OTHER DEALINGS IN FAVOUR OF DIRECTORS, CONTROLLED BODIES CORPORATE BY AND CONNECTED ENTITIES WITH SUCH DIRECTORS

There was no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate and connected entities with such directors entered into by the Company or subsidiary undertaking of the Company during 2018 and 2017.

(vi) DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There was no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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9 Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group include one director during the year ended 31 December 2018 (2017: one), and his emoluments are reflected in the analysis shown in Note 8. The emoluments payable to the remaining four (2017: four) individuals during the year ended 31 December 2018, are as follows:

	Year ended 31 December	
	2018	2017
Wages, salaries and bonuses	12,428	13,447
Pension costs – defined contribution plans	80	134
Other social security costs, housing benefits and other employee benefits	793	861
Share-based payments	17,668	4,069
	30,969	18,511

The number of highest paid non-director individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December	
	2018	2017
Nil to RMB1,000,000	–	–
RMB1,000,001 to RMB2,000,000	–	–
RMB2,000,001 to RMB3,000,000	–	1
RMB3,000,001 to RMB4,000,000	–	–
RMB4,000,001 to RMB5,000,000	–	–
RMB5,000,001 to RMB6,000,000	1	3
RMB6,000,000 to RMB10,000,000	3	–
	4	4

During the years ended 31 December 2018 and 2017, no director or the five highest paid individuals received any emolument from the Group as an inducement to join or leave the Group or as compensation for loss of office.

10 Other Income

	Year ended 31 December	
	2018	2017
Government grants	20,506	14,030
Investment income	7,721	10,906
	28,227	24,936

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11 Other Gains/(Losses) – Net

	Year ended 31 December	
	2018	2017
Net foreign exchange gains/(losses)	156,276	(179,552)
Fair value gains on financial assets at fair value through profit or loss	29,689	–
Impairment losses of financial assets	(1,705)	–
Impairment loss of other intangibles assets	–	(19,569)
Others	(767)	(89)
	183,493	(199,210)

12 Finance Income/(Costs) – Net

	Year ended 31 December	
	2018	2017
Finance income		
Interest income	201,910	37,415
Finance costs		
Interest expense on bank borrowings	–	(33,761)
Others	–	(3,818)
	–	(37,579)
	201,910	(164)

13 Income Tax Expense

The income tax expense of the Group for the year ended 31 December 2018 is analysed as follows:

	Year ended 31 December	
	2018	2017
Current income tax	1,178	408

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13 Income Tax Expense (Continued)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss of the consolidated entities as follows:

	Year ended 31 December	
	2018	2017
Loss before income tax	(911,877)	(1,001,235)
Tax calculated at PRC statutory income tax rate of 25%	(227,969)	(250,309)
Tax effects of		
– Differential income tax rates applicable to subsidiaries (Note a)(Note b)	(134,587)	50,348
– Income not subject to tax	–	(15,777)
– Tax losses and temporary differences for which no deferred income tax asset was recognised	295,431	181,812
– Expense not deductible for tax purposes	68,303	33,926
– Adjustments for current tax of prior periods	–	408
Income tax expense	1,178	408

The unused tax losses as at 31 December 2018 are analysed as follows:

	At 31 December	
	2018	2017
Unused tax losses for which no deferred tax asset has been recognised	2,881,933	1,668,954
Potential tax benefit @ 25%	669,399	416,886
Potential tax benefit @ 16.5%	33,716	233

Notes:

(a) *Cayman Islands and Tax*

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(b) *Hong Kong Income Tax*

Hong Kong income tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the reporting period.

(c) *PRC Corporate Income Tax ("CIT")*

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the reporting period, based on the existing legislation, interpretations and practices in respect thereof.

(d) *PRC Withholding Tax ("WHT")*

According to the New Corporate Income Tax Law ("New CIT Law"), distribution of profits earned by PRC companies since 1 January 2008 to foreign investors is subject to withholding tax of 5% or 10%, depending on the country of incorporation of the foreign investor, upon the distribution of profits to overseas-incorporated immediate holding companies.

During the year, no deferred income tax liability on WHT was accrued as at the end of each year because the subsidiaries of the Group were loss making in the year.

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(All amounts expressed in RMB thousand unless otherwise stated)

14 Loss Per Share

The weighted average number of ordinary shares for the purpose of basic and diluted loss per share for the year ended 31 December 2017 has been retroactively adjusted for the share subdivision (Note 1).

- (a) Basic loss per share for the year ended 31 December 2018 are calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the year.

The calculation of loss per share is based on the following:

	Year ended 31 December	
	2018	2017
Loss attributable to the owners of the Company	(911,662)	(1,001,643)
Weighted average number of ordinary shares in issue ('000)	944,306	838,059
Basic loss per share (RMB yuan)	(0.97)	(1.20)

- (b) Diluted earnings or loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

As the Group incurred losses for the year ended 31 December 2018, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the year ended 31 December 2018 are same as basic loss per share.

15 Goodwill

Cost	
As at 1 January 2018 (Note a)	5,119
Arising on acquisition of subsidiary (Note b)	961,644
As at 31 December 2018	966,763

Notes:

- (a) The goodwill's opening balance mainly arose from the acquisition of 100% equity interests in Jiangxi Pingan Good Doctor Pharmacy Company Limited (formerly known as Jiangxi Nabaite Pharmacy Company Limited) ("Jiangxi Nabaite") on 24 April 2016. Goodwill is attributable to the acquired market share and economies of scale expected to be derived from combining with the Health mall operations of the Group and the amount is attributable to Jiangxi Nabaite as a whole as a CGU of the Group.

Impairment review on the goodwill of the Group has been conducted by the management as at 31 December 2018 according to IAS 36 "Impairment of assets". For the purposes of impairment review, the recoverable amount of goodwill is determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on financial budgets approved by management of the Group covering a five-year period. Cash flows within and beyond the five-year period were extrapolated using the estimated annual growth rates of 15%-30% and 5%, respectively. Pre-tax discount rate of 15% was used to reflect market assessments of time value and the specific risks relating to the industry in which the Group operated. The financial projection was determined by the management of the Group based on its expectation for market development.

Based on the result of the goodwill impairment testing, the estimated recoverable amount exceeded its carrying amount by approximately RMB10.29 million as of 31 December 2018. The management of the Group has not identified that a reasonable possible change in any of the key assumptions that could cause the carrying amount to exceed the recoverable amount.

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For the year ended 31 December 2018

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15 Goodwill (Continued)

- (b) *The goodwill's addition mainly arose from the acquisition of 100% equity interests in Ping An Wanjia Healthcare Investment Management Co., Ltd. ("Wanjia Healthcare") on 8 October 2018 (Note 32). Goodwill is attributable to the synergy of combination and economies of scale expected to be derived from combining with the Consumer healthcare, Health mall and Health management and wellness interaction operations of the Group and the amount is attributable to Wanjia Healthcare as a whole as a CGU of the Group.*

As of 31 December 2018, the management did the value-in-use calculations by using cash flow projections based on business plan for the purposes of impairment reviews covering a nine-year period. Under paragraph 33(b) of IAS 36, a period longer than five years can be used if it is justifiable, and the management of the Group used a nine-year period. Given the Group expects to maintain an extended high growth rate over a period longer than 5 years, management of the Group considers that the Group's business is expected to reach a steady and stable terminal growth state likely after a 9-year period. As the pioneer in the online healthcare industry, management believes they are better positioned to forecast cash flows for an extended period over 5 years. The expected annual growth rates over the nine-year forecast period are based on the Group's past performance and management's expectation of future market and business developments. As of 31 December 2018, key assumptions for goodwill used for value-in-use calculations include annual growth rates ranging from 13% to 487%, and gross margin ranging from 35% to 41%, respectively. As of 31 December 2018, the discount rate used of 20.23% is pre-tax and reflects market assessments of the time value and the specific risks relating to the industry. The budgeted gross margin was determined by management based on past performance and its expectation for market development.

Based on the result of the goodwill impairment testing, the estimated recoverable amount exceeded its carrying amount by approximately RMB76.51 million as of 31 December 2018. The following table shows the amount by which the assumption of annual revenue growth rate would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

In percent	Change required for carrying amount to equal recoverable amount 2018
Annual growth rate	Assuming the annual growth rate for each year during the nine-year period decreased by 0.03% and shall be no less than the terminal growth rate of 3%

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16 Property, Plant and Equipment

	Office and telecommunication equipment	Leasehold improvements	Total
As at 1 January 2018			
Cost	122,677	26,135	148,812
Accumulated depreciation	(37,330)	(8,225)	(45,555)
Net book amount	85,347	17,910	103,257
Year ended 31 December 2018			
Opening net book amount	85,347	17,910	103,257
Acquisition of subsidiaries	5,344	4,427	9,771
Additions	83,760	13,976	97,736
Disposal	(122)	–	(122)
Depreciation charge	(29,509)	(8,660)	(38,169)
Closing net book amount	144,820	27,653	172,473
As at 31 December 2018			
Cost	212,618	46,184	258,802
Accumulated depreciation	(67,798)	(18,531)	(86,329)
Net book amount	144,820	27,653	172,473
As at 1 January 2017			
Cost	116,717	11,554	128,271
Accumulated depreciation	(16,069)	(3,445)	(19,514)
Net book amount	100,648	8,109	108,757
Year ended 31 December 2017			
Opening net book amount	100,648	8,109	108,757
Additions	6,650	14,581	21,231
Disposal	(299)	–	(299)
Depreciation charge	(21,652)	(4,780)	(26,432)
Closing net book amount	85,347	17,910	103,257
As at 31 December 2017			
Cost	122,677	26,135	148,812
Accumulated depreciation	(37,330)	(8,225)	(45,555)
Net book amount	85,347	17,910	103,257

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17 Other Intangible Assets

	Software	Licences	Total
As at 1 January 2018			
Cost	1,696	19,569	21,265
Accumulated amortisation	(752)	–	(752)
Accumulated impairment	–	(19,569)	(19,569)
Net book amount	944	–	944
Year ended 31 December 2018			
Opening net book amount	944	–	944
Additions (Note b)	56,338	35,103	91,441
Amortisation	(3,778)	(2,560)	(6,338)
Closing net book amount	53,504	32,543	86,047
As at 31 December 2018			
Cost	58,034	54,672	112,706
Accumulated amortisation	(4,530)	(2,560)	(7,090)
Accumulated impairment	–	(19,569)	(19,569)
Net book amount	53,504	32,543	86,047
As at 1 January 2017			
Cost	707	19,569	20,276
Accumulated amortisation	(652)	–	(652)
Net book amount	55	19,569	19,624
Year ended 31 December 2017			
Opening net book amount	55	19,569	19,624
Additions	989	–	989
Amortisation	(100)	–	(100)
Impairment charge (Note a)	–	(19,569)	(19,569)
Closing net book amount	944	–	944
As at 31 December 2017			
Cost	1,696	19,569	21,265
Accumulated amortisation	(752)	–	(752)
Accumulated impairment	–	(19,569)	(19,569)
Net book amount	944	–	944

- (a) According to "Decision of the State Council to cancel a batch of administrative licenses" (Guo Fa[2017]#46) released in 2017, online drug sales no longer need approval from the State Food and Drug Administration. As at 31 December 2017, the carrying amount of online drug sales license was reduced to zero through recognition of an impairment loss of RMB19,569 thousand.
- (b) The additions of licences during the year are mainly a drug wholesale license resulted from acquisition of Jiangsu Zhongyikang Pharmaceutical Company Limited ("Zhongyikang") at a consideration of RMB6,900 thousand and an insurance agent business license resulted from acquisition of Guang Dong Y.C. Insurance Agency Co., Ltd. ("Guangdong Yecheng") at a consideration of RMB28,203 thousand, respectively.

Notes to the Consolidated Financial Statements

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18 Investments in Associates

	At 31 December	
	2018	2017
Investments in associates		
– Unlisted entities	250,000	–
At the beginning of the year	–	–
Additions (Note a) (Note b)	250,000	–
At the end of the year	250,000	–

(a) On 13 November 2018, the Group entered into a partnership agreement with Ping An Capital Company Limited, Ping An Life and Shenzhen Pingan Decheng Investment Co., Ltd. in regards to the formation of Ningbo Chengyi Partnership Enterprise L.P. (“Chengyi”) and the Group subscribed for approximately 49.9% equity interests of Chengyi as a limited partner. The cash consideration equivalent to approximately RMB250 million has been fully paid by the Group by the end of 31 December 2018.

(b) According to the share subscription agreement, the investment decision-making committee (the “committee”) has six members and resolutions of the investment committee need to be passed by at least two-thirds of the members before taking into effect. Since the Group has appointed two members in the committee, the Group is considered to have significant influence but not control over Chengyi.

19 Investments in Joint Ventures

	At 31 December	
	2018	2017
At the beginning of the year	9,707	14,353
Share of losses of joint ventures	(4,288)	(4,646)
At the end of the year	5,419	9,707

On 24 April 2015, PAHC set up Pingan Yingjian Medical Management (Shanghai) Limited (“Yingjian”) together with Human Health Holdings Limited as a joint venturer at a consideration of RMB17,500,000. Yingjian is a company focusing on medical and healthcare consulting services.

The investments in joint ventures as at 31 December 2018 are as follows:

	Place of business and incorporation	Principal activities	Percentage of equity interest	Percentage of voting rights
Yingjian	Shanghai	Medical, healthcare consulting services	50%	50%

Summarized financial information for investments in joint ventures.

	Year ended 31 December	
	2018	2017
The joint venture’s net loss	(8,576)	(9,292)
The joint venture’s other comprehensive income	–	–

As at 31 December 2018, Yingjian was still in the early stage of development and the economic performance was not worse than expected. There were no significant changes with an adverse effect on Yingjian taken place during the reporting period, or are expected to take place in the near future.

As at 31 December 2018, the Group did not recognise any impairment loss on its investments in joint ventures.

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20 Inventories

	At 31 December	
	2018	2017
Inventories in warehouse	38,570	6,575
Less: impairment provision	–	–
	38,570	6,575

21 Trade Receivables

	At 31 December	
	2018	2017
Health mall	193,985	231,951
Family doctor services	174,218	157,445
Consumer healthcare	52,685	46,753
Health management and wellness interaction	10,123	18,307
	431,011	454,456
Less: Loss allowance	–	–
	431,011	454,456

(a) Aging analysis of trade receivables based on invoice date is as follows:

	At 31 December	
	2018	2017
Up to 3 month	238,230	391,524
3 to 6 months	101,729	30,433
6 months to 1 year	76,028	15,708
1 to 2 years	15,024	16,791
	431,011	454,456

(b) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(c) Impairment and risk exposure

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The Group did not recognise loss allowance for trade receivables during the year.

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(All amounts expressed in RMB thousand unless otherwise stated)

22 Prepayments and Other Receivables

	At 31 December	
	2018	2017
Included in current assets		
Interest receivable	149,748	6,048
Advance payments	102,030	90,362
Recoverable value-added tax	69,460	6,376
Deposits	16,547	13,191
Amounts due from related parties (Note a)	10,376	7,621
Low-valued consumables	2,748	2,558
Prepaid expenses	2,419	1,541
Others	18,223	9,072
	371,552	136,769

Notes:

- (a) During the year, the amounts due from related parties were of a non-trade nature.
- (b) As at 31 December 2018, the carrying amounts of deposits and other assets (excludes advance payments and recoverable value-added tax), were approximate to their fair values. Deposits and other assets were neither past due nor impaired. Their recoverability was assessed with reference to the credit status of the counterparties and credit history.

23 Financial Assets at Fair Value Through Profit or Loss

	At 31 December	
	2018	2017
Equity investments		
Wealth management products	177,268	272,665
Investment funds	343,470	–
	520,738	272,665

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24 Cash and Cash Equivalents and Term Deposits

(a) CASH AND CASH EQUIVALENTS

	At 31 December	
	2018	2017
Cash	2	–
Cash at bank	818,968	3,486,897
Short-term bank deposits with initial term within three months	90,000	1,097,746
Other cash equivalents	17,515	9,998
	926,485	4,594,641

Cash and cash equivalents are denominated in the following currencies:

	At 31 December	
	2018	2017
USD	388,011	4,335,655
HKD	14,350	–
RMB	524,124	258,986
	926,485	4,594,641

(b) TERM DEPOSITS

	At 31 December	
	2018	2017
Term deposits with initial term of over three months and less than one year	5,745,280	329,977
Term deposits with initial term of over one year	2,800,000	–
Less: Loss allowance of term deposits	(1,737)	–
	8,543,543	329,977

Term deposits are denominated in the following currencies:

	At 31 December	
	2018	2017
USD	2,745,280	329,977
RMB	5,800,000	–
	8,545,280	329,977

The weighted average effective interest rate of the term deposits of the Group for the year ended 31 December 2018 is 2.89% (Year ended 31 December 2017: 1.99%).

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25 Share Capital

	Number of shares	USD
Authorised		
Ordinary shares of USD0.00001 each at 1 January 2017 and 31 December 2017 (Note a)	5,000,000,000	50,000
Effect of share subdivision (Note b)	5,000,000,000	–
Ordinary shares of USD0.000005 each at 31 December 2018 (Note b)	10,000,000,000	50,000

	Number of shares	USD	Equivalent to RMB
Issued			
Ordinary shares of USD0.00001 each at 1 January 2017	420,000,000	4,200	26,002
Newly issued ordinary shares (Note c) (Note d)	244,020,000	2,440	15,335
Repurchased ordinary shares (Note c)	(210,420,000)	(2,104)	(13,140)
Ordinary shares of USD0.00001 at 31 December 2017	453,600,000	4,536	28,197
Effect of share subdivision (Note b)	453,600,000	–	–
Newly issued ordinary shares (Note e)	160,094,200	800	5,085
Ordinary shares of USD0.000005 each at 31 December 2018 (Note f)	1,067,294,200	5,336	33,282

Notes:

- (a) The Company was incorporated on 12 November 2014 with an authorized share capital of USD50,000 divided into 5,000,000,000 ordinary shares of USD0.00001 each.
- (b) On 19 April 2018, the Company's shareholders resolved that subject to the completion of initial public offering and fulfilment of certain other conditions, all the issued and unissued ordinary shares with a par value of USD0.00001 each in the share capital of the Company be subdivided into two ordinary shares with a par value of USD0.000005 each, and all the subdivided shares be ranked *pari passu* in all respects with each other, such that thereafter, the authorized share capital of the Company should be USD50,000 divided into 10,000,000,000 ordinary shares of par value USD0.000005 each.
- (c) On 19 December 2017, the Company repurchased all the ordinary shares held by Hong Qi Jian Limited, Bang Qi Jian, the Round A Investors and Hop-Fast Limited ("Hop-Fast") of USD2,104 (equivalent to approximately RMB13,140) at par value and cancelled the 210,420,000 ordinary shares immediately upon the repurchase. On the same date, the Company allotted and issued the same number of ordinary shares to Le Jin Xuan, a special purpose vehicle incorporated on 10 November 2017 with Le An Xin, Bang Qi Jian, Hop-Fast and Zheng He Pentagon Fund L.P. being the shareholders of Le Jin Xuan, to act as the immediate direct shareholders of the Company.
- (d) As a pre-IPO investor, Vision Fund Singapore SPV, an indirectly wholly-owned subsidiary of SoftBank Vision Fund L.P., completed its subscription of 33,600,000 ordinary shares of USD336 (equivalent to approximately RMB2,195) at a price of USD11.9048 per share with an aggregated consideration of USD400 million.
- (e) On 4 May 2018, upon its Listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 160,094,200 new ordinary shares at par value of USD0.000005 per share, the respective share capital amount was approximately RMB5,085.
- (f) As at 31 December 2018, 1,067,294,200 ordinary shares were all issued and fully paid.

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26 Reserves

	At 31 December	
	2018	2017
Other reserves		
– share-based payments – value of employee services (Note 27)	187,632	61,176
Reorganization (Note a)	350,000	350,000
Share premium		
– share premium from capital injection (Note b) (Note c) (Note d)	12,792,575	5,843,877
– share-based payments – value of employee services (Note 27)	489	–
– proceeds from exercise of share options (Note 27)	1,004	–
Other	2	2
	13,331,702	6,255,055

Notes:

- (a) PAHC was incorporated on 20 August 2014 with issued share capital of RMB350,000,000 divided into 350,000,000 ordinary shares of RMB1 each. After the Reorganization, PAHC is controlled by Kang Jian through the Contractual Arrangements. The share capital of RMB350,000,000 is treated as a deemed distribution from the owners.
- (b) The Company has completed Round A Investments in April 2016. The excess of the consideration paid by Round A investors over the par value for 70,000,000 ordinary shares was credited to the share premium account with aggregate amounts of approximately RMB3,230,199,458.
- (c) Vision Fund Singapore SPV completed pre-IPO investment of USD400,000,000 in the Company in December 2017. The excess of the consideration paid by Vision Fund Singapore SPV over the par value for 33,600,000 ordinary shares issued (Note 25(d)) was credited to the share premium account with aggregate amounts of approximately RMB2,613,677,805.
- (d) On 4 May 2018, upon its Listing on the Main Board of the Stock Exchange of Hong Kong Limited, the Company issued 160,094,200 new ordinary shares at par value of USD0.000005 per share for cash consideration of HKD54.80 each, and raised gross proceeds of approximately HKD8,773,162,160 (equivalent to approximately RMB7,099,593,746). The respective share capital amount was approximately RMB5,085 and share premium arising from the issuance was approximately RMB6,948,698,151, net of the share issuance costs after deduction of deposits interest from listing subscription. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing, which are incremental costs directly attributable to the issuance of new shares. These costs amounting to RMB150,890,510, after deduction of deposits interest from listing subscription, were treated as a deduction against the share premium arising from issuance.

27 Share-Based Payments

On 26 December 2014, an equity-settled share-based compensation plan was granted to the employees with the objective to recognise and reward the contribution of the Grantees for the growth and development of the Group. The share options granted under the Share Option Plan are valid and effective for 10 years from the grant date. Upon the establishment of Share Option Plan, 35,000,000 shares have been reserved by two shareholders of the Company, namely Glorious Peace and Bang Qi Jian. Under the Share Option Plan, a special purpose vehicle named Hong Qi Jian Limited ("Hong Qi Jian"), was set up by Glorious Peace and Bang Qi Jian to hold shares contributed by Glorious Peace and Bang Qi Jian.

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27 Share-Based Payments (Continued)

Le An Xin was incorporated on 17 October 2017 as a vehicle to replace Hong Qi Jian to hold the 35,000,000 ordinary shares for the Company's employees under the Share Option Plan (Note 25(c)), with no changes to the rest of the conditions and the Grantees of the Share Option Plan. As the Company has the power to govern the relevant activities of Le An Xin and can derive benefits from the services to be rendered by the Grantees, the directors of the Company consider that it is appropriate to consolidate Le An Xin. The number of shares pursuant to the Share Option Plan is 70,000,000 after the share subdivision (Note 1).

Subject to the Grantee continuing to be a service provider, 100% of these options will be vested over 4 years upon fulfilling the service conditions and non-market performance conditions prescribed in the share option agreement.

The options should be exercised no earlier than 180 days before the Company successfully completes an initial public offering and the Company's shares get listed in the stock exchange ("IPO and Listing") and no later than 30 days after the IPO and Listing. The vesting date is determined by the Board of Directors of the Company. On 20 January 2018, amendments to the Share Option Plan were approved by the directors of the Company and the vesting date was changed to no earlier than 180 days before IPO and Listing or no earlier than 12 months after IPO and Listing. The amendments have no impact on the financial statements of the Group.

Movements in the number of share options granted to employees are as follows:

	Number of share options	
	At 31 December	
	2018	2017
At the beginning of the year	49,791,200	20,745,750
Granted	–	32,430,000
Exercised (Note a)	(1,675,000)	–
Forfeited	(3,822,626)	(3,384,550)
At the end of the year	44,293,574	49,791,200

Notes:

(a) During the year ended 31 December 2018, 1,675,000 ordinary shares (after considering the effect of share subdivision) were exercised at the total consideration of RMB1,004 thousand. The exercise prices range from RMB0.5 each to RMB0.75 each.

Share options outstanding at the end of the year have the following expiry dates and exercise prices.

Grant Year	Expiry Year	Exercise price	Number of share options	
			At 31 December	
			2018	2017
2014	2024	0.50	3,882,500	4,563,700
2015	2025	0.75	9,613,200	10,752,700
2016	2026	5.00	2,370,200	2,653,600
2017	2027	23.50-32.00	28,427,674	31,821,200
			44,293,574	49,791,200

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27 Share-Based Payments (Continued)

The Company used the discounted cash flow method to determine the underlying equity fair value of the Company and adopted equity allocation model to determine the fair value of the underlying ordinary share. Key assumptions, such as discount rate and projections of future performance, are required to be determined with the best estimate.

Based on fair value of the underlying ordinary share, the Company used Binomial option-pricing model to determine the fair value of the share options as at the grant date before the Listing. Key assumptions are set as below:

	At 31 December	
	2018	2017
Discount rate	N/A	14%-21%
Risk-free interest rate	N/A	3.31%-3.92%
Volatility	N/A	41.39%-44.67%
Dividend yield	N/A	3.00%

The total expenses recognised in the consolidated statement of comprehensive income for Share Option Plan are disclosed in Note 7.

The remaining contractual life of share options outstanding as at 31 December 2018 is 7.8 years (As at 31 December 2017: 8.9 years).

28 Trade and Other Payables

	At 31 December	
	2018	2017
Included in current liabilities		
Accrued expense	542,750	433,421
Trade payables (Note a)	328,960	466,541
Wages payable	323,817	206,397
Amounts due to suppliers	91,764	65,100
Contract liabilities of "Health 360" plans	57,983	–
Amounts due to related parties	44,439	35,986
Others	97,817	90,034
	1,487,530	1,297,479
Included in non-current liabilities		
Amounts due to related parties	47	44

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28 Trade and Other Payables (Continued)

(a) Aging analysis of trade payables based on invoice date is as follows:

	At 31 December	
	2018	2017
Up to 3 month	323,073	375,456
3 to 6 months	2,978	30,881
6 months to 1 year	1,668	60,179
1 to 2 years	1,241	25
	328,960	466,541

29 Dividends

No dividends have been paid or declared by the Company during the year ended 31 December 2018.

30 Cash Flow Information

(a) CASH USED IN OPERATIONS

	Year ended 31 December	
	2018	2017
Loss for the year	(913,055)	(1,001,643)
Depreciation and amortisation	44,507	26,532
Impairment losses of other intangible assets	–	19,569
Impairment losses of financial assets	1,705	–
Investment income of financial assets at fair value through profits or loss	(7,721)	(10,906)
Fair value gains on financial assets at fair value through profit or loss	(29,689)	–
Share of losses of associates and joint ventures	4,288	4,646
Share option expenses	126,945	47,630
Finance (income)/costs – net	(201,910)	164
Net foreign exchange (gains)/losses	(156,276)	179,552
Increase in trade receivables and other assets	(39,486)	(430,321)
Increase in trade payables and other liabilities	85,499	680,835
	(1,085,193)	(483,942)

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(All amounts expressed in RMB thousand unless otherwise stated)

31 Operating Lease Commitments

The Group's future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	At 31 December	
	2018	2017
No later than 1 year	88,814	51,255
Later than 1 year and no later than 2 years	47,058	48,998
Later than 2 years and no later than 3 years	26,739	21,032
Later than 3 years	14,954	6,612
	177,565	127,897

32 Business Combination

(a) SUMMARY OF ACQUISITION

On 16 August 2018, PAHC entered into an equity transfer agreement with Shenzhen Ping An Financial Technology Consulting Co., Ltd. ("Ping An Financial Technology"), Urumqi Guangfengqi Investments Limited Partnership ("Guangfengqi") and Wanjia Healthcare to acquire 63.16% equity interest in Wanjia Healthcare from Ping An Financial Technology and 36.84% equity interest in Wanjia Healthcare from Guangfengqi, at a total consideration of RMB980 million. Wanjia Healthcare is mainly engaged in the provision of medical management services for medical institutions. Ping An Financial Technology and Guangfengqi are both equity holders of PAHC, and Ping An Financial Technology is a subsidiary of Ping An, which is one of the controlling shareholders of the Company.

On 8 October 2018, PAHC completed the acquisition of 100% equity interest of Wanjia Healthcare.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration (refer to (b) below):	
Cash paid	980,000
Total purchase consideration	980,000

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value
Cash and cash equivalents	29,174
Financial assets at fair value through profit or loss	55,594
Trade receivables	637
Prepayments and other receivables	19,564
Inventories	33
Property, plant and equipment	9,771
Trade and other payables	(85,140)
Contract liabilities	(4,306)
Net identifiable assets acquired	25,327
Less: non-controlling interests	(6,971)
Add: goodwill	961,644
Net assets acquired	980,000

There were no acquisitions in the year ended 31 December 2017.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

32 Business Combination (Continued)

(a) SUMMARY OF ACQUISITION (Continued)

(i) Accounting policy choice for non-controlling interests

The Group recognises non-controlling interests in an acquired entity either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. For the non-controlling interests in Wanjia Healthcare, the Group elected to recognise the non-controlling interests at its proportionate share of the acquired net identifiable assets. See Note 2.3.1 for the Group's accounting policies for business combinations.

(ii) Revenue and profit contribution

The acquired business contributed revenues of RMB5,110 thousand and net loss of RMB35,283 thousand to the Group for the period from 8 October to 31 December 2018.

(b) PURCHASE CONSIDERATION – CASH OUTFLOW

	Year ended 31 December	
	2018	2017
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	980,000	1,500
Less: Cash balances acquired	(29,174)	–
Net outflow of cash – investing activities	950,826	1,500

Note:

The net outflow of cash during the year ended 31 December 2017 resulted from the remaining payments for the acquisition of Jiangxi Nabaite.

Acquisition-related costs

Acquisition-related costs of RMB2,068 thousand are included in administrative expenses in profit or loss and in operating cash flows in the statement of cash flows.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

33 Related Party Transactions

Save as disclosed in note 32, the following significant transactions were carried out between the Group and its related parties during the year. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. The Group's pricing policies on the transactions with related parties are determined on the basis of mutual negotiations between the relevant parties.

(a) NAMES AND RELATIONSHIPS WITH RELATED PARTIES

Name of related parties	Relationship with the Company
Glorious Peace	A shareholder that has significant influence over the Group
Ping An	Ultimate parent company of Glorious Peace
Shenzhen Ping An Financial Technology Consulting Co., Ltd. ("Ping An Fintech")	Controlled by Ping An
Ping An Life	Controlled by Ping An
Ping An Health	Controlled by Ping An
Ping An Property & Casualty Insurance Company of China, Ltd. ("Ping An Property & Casualty")	Controlled by Ping An
Ping An Bank Co.,Ltd. ("Ping An Bank")	Controlled by Ping An
Ping An Annuity Insurance Company of China, Ltd. ("Ping An Annuity")	Controlled by Ping An
Ping An Securities Co., Ltd. ("Ping An Securities")	Controlled by Ping An
Shenzhen Ping An Financial Services Co., Ltd. ("Financial Services")	Controlled by Ping An
Shenzhen Wanlitong Network Information Technology Co., Ltd. ("Shenzhen Wanlitong")	Controlled by Ping An
Ping An Pay Technology Service Co., Ltd ("Ping An Pay Tech")	Controlled by Ping An
Ping An Technology (Shenzhen) Co., Ltd. ("Ping An Technology")	Controlled by Ping An
Ping An Insurance Agency Co., Ltd. (Ping An Insurance Agency)	Controlled by Ping An
Shenzhen Ping An Financial Technology Consulting Co., Ltd. ("Ping An Financial Tech")	Controlled by Ping An
Shenzhen Ping An Communication Technology Co., Ltd. ("Ping An Communication Technology")	Controlled by Ping An
Shanghai Zean Investment Management Co., Ltd ("Zean Investment")	Controlled by Ping An
Shanghai Youwan Internet Technology Co., Ltd. ("YouWan")	Controlled by Ping An
Ping An International Financial Leasing Company Limited ("Ping An Financial Leasing")	Controlled by Ping An
Shenzhen PingAn-UOB Huitong Wealth Management Company Limited ("UOB Huitong")	Controlled by Ping An
Ping An Asset Management Co. Ltd ("Ping An Asset Management")	Controlled by Ping An
Ping An Trust Co., Ltd. ("Ping An Trust")	Controlled by Ping An
Ping An Wealth Management Co., Ltd ("Ping An Wealth Management")	Controlled by Ping An

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

33 Related Party Transactions (Continued)

(b) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

	Year ended 31 December	
	2018	2017
Trademark licensing		
Ping An	–	–
Provision of products and services (included in contract liabilities and revenue)		
Ping An Life	745,871	655,961
Ping An Property & Casualty	320,409	221,906
Ping An Health	122,539	118,872
Ping An Bank	37,226	38,310
Ping An Annuity	30,729	17,645
Ping An Securities	6,649	4,714
Financial Services	6,625	4,822
Ping An Technology	3,551	2,160
Shenzhen Wanlitong	3,506	7,215
Ping An Financial Leasing	3,449	1,443
Ping An Trust	2,329	908
Ping An Wealth Management	1,973	756
Services purchasing		
Ping An Technology	29,904	20,778
Shenzhen Wanlitong	26,443	17,443
Ping An Communication Technology	23,348	3,273
Financial Services	11,262	5,671
Ping An Pay Tech	6,393	1,311
Ping An	5,825	4,585
Property leasing		
Zean Investment	27,483	25,240
Ping An Property & Casualty	1,792	2,013
Ping An Life	533	1,544
Deposit interests		
Ping An Bank	100,583	35,559
Investment income		
Ping An Bank	5,411	10,906
UOB Huitong	2,310	–

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

33 Related Party Transactions (Continued)

(b) SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES (Continued)

Trademark licensing

The Group enters into a trademark licensing framework agreement with Ping An (the "Trademark Licensing Framework Agreement"), pursuant to which Ping An grants to the Group non-exclusive and non-transferable licenses for the use of certain trademarks owned by Ping An that are either registered or for which registration applications have been filed in the PRC or Hong Kong on a royalty-free basis. The initial term of the Trademark Licensing Framework Agreement commenced on 15 November 2017 and ends on 14 November 2022.

Provision of products and services

The Group provides various types of products and services to Ping An Group, including, but not limited to: (1) family doctor services comprising online consultation, hospital referral and appointment, inpatient arrangement and second opinion services; (2) "Healthy Life Pass" prepaid cards and health check-up service package; (3) products in the health mall; and (4) advertising services. Fees are paid to the Group by Ping An Group in respect of the provision of such products and services.

The products and services fees the Group charges to Ping An Group are determined on the basis of mutual negotiations between the relevant parties. For the various types of services provided by the Group to Ping An Group, the service fee is determined on a cost-plus margin basis, and for which the prices shall not lower than prices at which the Group provides similar services to independent third parties. For the products provided by the Group to Ping An Group, the price of the products is the same as the price the Group charged to independent third parties under similar terms, with the volume of the purchase taken into consideration.

Services purchasing

Ping An Group provides a wide spectrum of services to the Group, including but not limited to consulting services, business promotion services, settlement services, insurance services, online traffic diversion services and customer referral services. The Group, in return, pays service fees to Ping An Group. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement are agreed between the relevant parties separately.

The services fees paid by the Group to Ping An Group are determined on the following basis: (1) through bidding procedure according to the internal rules and procedures of the Group; and (2) if no tendering and bidding process is required under the Group's internal rules, through mutual negotiations between the parties based on historical fees of such services and comparable market rates. The terms are no less favorable to the Group than terms of services available to independent third parties (if applicable) to the Group.

Property leasing

The Group leases properties from Ping An Group for office use.

The monthly rents payable by the Group during the leasing term are determined based on mutual negotiations between the relevant parties, and the rents are no more than the prevailing market price of properties of comparable size and quality situated in the same locality available to independent third parties.

Financial Service

Ping An Group provides deposit service, financing service and wealth management service to the Group.

The deposit interest rates and the borrowing interest rates are determined which are no less favorable than (1) those available to the Group from independent third parties; and (2) those offered by Ping An Group to independent third parties for deposits under similar or comparable terms. The investment income received by the Group are in line with the average investment income generated by similar types of wealth management services of Ping An Bank provided to independent third parties under similar terms and conditions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

33 Related Party Transactions (Continued)

(c) YEAR END BALANCES WITH RELATED PARTIES

	At 31 December	
	2018	2017
Cash and cash equivalents and term deposits		
Ping An Bank	3,340,964	4,902,273
Financial assets at fair value through profit or loss		
Ping An Bank	126,838	272,665
Ping An Asset Management	50,430	–
Trade receivables		
Ping An Life	144,860	179,494
Ping An Health	118,123	119,254
Ping An Property & Casualty	77,413	109,506
Ping An Bank	11,256	6,161
Shenzhen Wanlitong	4,442	4,204
Ping An Annuity	2,827	3,155
Ping An Pay Tech	753	2,342
Trade and other payables		
Ping An Health	13,620	4,238
Ping An Financial Tech	9,303	–
Ping An Property & Casualty	7,092	2,812
Ping An Technology	5,523	22,369
Ping An Communication Technology	4,311	4,303
Financial Services	2,439	867
Prepayments and other receivables		
Ping An Bank	4,206	872
Ping An Property & Casualty	2,457	2,458
Ping An Annuity	1,980	–
Ping An Health	1,180	1,131
YouWan	–	3,000
Interests receivables		
Ping An Bank	64,656	6,048
Deposits		
Zean Investment	4,403	4,403

Apart from the interest receivables generated from term deposits calculated based on deposit interest rates due from Ping An Bank, the other balances including other prepayments and other receivables, trade receivables and deposits due from related parties are unsecured, interest-free and repayable on demand.

All balances due to related parties are unsecured, interest-free and repayable on demand.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

33 Related Party Transactions (Continued)

(d) KEY MANAGEMENT PERSONNEL COMPENSATIONS

Key management includes directors (executive and non-executive) and senior officers. The compensations paid or payable to key management for employee services are shown below:

	Year ended 31 December	
	2018	2017
Wages, salaries and bonuses	27,711	30,676
Welfare and other benefits	1,676	1,958
Share-based payments	27,276	8,408
	56,663	41,042

34 Contingencies

The Group did not have any material contingent liabilities as at 31 December 2018.

35 Subsequent Events

There were no material subsequent events during the period from 31 December 2018 to the approval date of these consolidated financial statements by the Board of Directors on 27 February 2019.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

36 Financial Position and Reserve Movement of the Company

(a) FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2018	2017
ASSETS		
Non-current assets		
Prepayments and other receivables	3,019,808	2,875,048
Total non-current assets	3,019,808	2,875,048
Current assets		
Prepayments and other receivables	7,034,995	162
Financial assets at fair value through profit or loss	343,470	–
Term deposits	2,745,106	–
Cash and cash equivalents	258,124	2,984,115
Total current assets	10,381,695	2,984,277
Total assets	13,401,503	5,859,325
EQUITY AND LIABILITIES		
Equity		
Share capital	33	28
Reserves	12,793,579	5,843,877
Retained earnings/(Accumulated losses)	589,212	(18,120)
Total equity	13,382,824	5,825,785
Liabilities		
Non-current liabilities		
Trade and other payables	47	44
Total non-current liabilities	47	44
Current liabilities		
Trade and other payables	18,632	33,496
Total current liabilities	18,632	33,496
Total liabilities	18,679	33,540
Total equity and liabilities	13,401,503	5,859,325

The statement of financial position of the Company was approved by the Board of Directors on 27 February 2019 and was signed on its behalf.

WANG Tao
 Director

WANG Wenjun
 Director

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

36 Financial Position and Reserve Movement of the Company (Continued)

(b) RESERVE MOVEMENT OF THE COMPANY

	Reserves	(Accumulated losses)/Retained earnings
As at 1 January 2018	5,843,877	(18,120)
Change in accounting policy	–	(9)
Restated balance at 1 January 2018	5,843,877	(18,129)
Profit for the year	–	607,341
Issuance of ordinary shares relating to initial public offering, net of underwriting commissions and other issuance costs	6,948,698	–
Exercise of share options	1,004	–
As at 31 December 2018	12,793,579	589,212
As at 1 January 2017	3,230,199	215,319
Loss for the year	–	(233,439)
Issuance of ordinary shares	2,613,678	–
As at 31 December 2017	5,843,877	(18,120)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

37 Subsidiaries and Controlled Structured Entities

As at 31 December 2018, the Company had direct or indirect interests in the following subsidiaries:

Company name	Place and date of incorporation/ establishment	Issued and paid-in capital	Attributable economic interest to the Group		Principal activities/ Place of operations	Notes
			31 December 2018	31 December 2017		
Directly owned:						
Glorious Delight	Hong Kong/ 14 November 2014	HKD1	100%	100%	Investment Holding/ Hong Kong	
Le An Xin (Note 27)	British Virgin Islands ("BVI")/ 17 October 2017	USD0	–	–	Investment Holding/ BVI	
Good Doctor Online Healthcare Limited	Cayman Islands/ 23 July 2018	USD0	100%	–	Investment Holding/ Cayman Islands	(c)
Good Doctor Technology Limited	Cayman Islands/ 23 July 2018	USD6,000,000	70%	–	Online Medical and health services/ Singapore	(c)
Good Doctor Technology (Singapore) Pte. Ltd.	Singapore/ 11 December 2018	USD0	70%	–	Online Medical and health services/ Singapore	(c)
Yu Kang Limited	Hong Kong/ 12 December 2018	HKD0	100%	–	Investment Holding/ Hong Kong	(d)
Indirectly owned:						
Kang Jian	the PRC/ 13 February 2015	USD440,050,000	100%	100%	Investment Holding/ the PRC	
Zhongyikang	the PRC/ 14 December 2006	RMB5,000,000	100%	–	Medicine Marketing/ the PRC	(a)
Shanghai Pingan Health Culture Communication Company Limited ("Shanghai Pingan Health Culture")	the PRC/ 21 November 2016	RMB3,000,000	100%	100%	Technology Service/ the PRC	(b)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

37 Subsidiaries and Controlled Structured Entities (Continued)

Company name	Place and date of incorporation/ establishment	Issued and paid-in capital	Attributable economic interest to the Group		Principal activities/ Place of operations	Notes
			31 December 2018	31 December 2017		
Controlled by the Company pursuant to the Contractual Agreements						
PAHC	the PRC/ 20 August 2014	RMB350,000,000	100%	100%	Development and operation of apps/ the PRC	
Jiangxi Nabaite*	the PRC/ 24 January 2014	RMB2,000,000	100%	100%	Medicine Marketing/ the PRC	
Hefei Kuaiyijie Medical Electronic Commerce Company Limited ("Hefei Kuaiyijie")*	the PRC/ 29 March 2005	RMB15,000,000	100%	100%	Technology Development/ the PRC	
Pingan (Qingdao) Internet Hospital Company Limited*	the PRC/ 24 April 2017	RMB10,000,000	100%	100%	Hospital/ the PRC	
Pingan (Hefei) Internet Hospital Company Limited*	the PRC/ 21 September 2017	RM80	100%	100%	Hospital/ the PRC	
Jiangsu Nabaite Pharmacy Company Limited ("Jiangsu Nabaite")	the PRC/ 11 October 2017	RMB10,000,000	100%	100%	Medicine Marketing/ the PRC	
Shanghai Hao Yi Smart Technology Company Limited*	the PRC/ 21 November 2017	RMB71,400,000	70%	70%	Technology Development/ the PRC	
Yinchuan Pingan Internet Hospital Company Limited*	the PRC/ 12 March 2018	RMB500,000	100%	–	Hospital/ the PRC	(e)
Wanjia Healthcare*	the PRC/ 4 July 2016	RMB400,000,000	100%	–	Technology Development/ the PRC	(f)
Shanghai Pingan Wanjia Healthcare Management Company Limited ("Shanghai Wanjia")	the PRC/ 8 December 2016	RMB100,000,000	100%	–	Technology Development/ the PRC	(f)
Shenzhen Pingan Wanjia Healthcare Investment Company Limited ("Shenzhen Wanjia")	the PRC/ 11 August 2016	RMB30,000,000	100%	–	Investment Holding/ the PRC	(f)
Xiamen Pingan Wanjia Healthcare Investment Company Limited ("Xiamen Wanjia")	the PRC/ 6 December 2016	RMB20,000,000	55%	–	Investment Holding/ the PRC	(f)
Siming Wanjia Enjoyment Center Outpatient Service Department ("Siming Clinic")	the PRC/ 26 July 2017	RMB11,000,000	55%	–	Clinic/ the PRC	(f)
Shenzhen Anan Outpatient Service Department ("Anan Clinic")	the PRC/ 20 June 2017	RMB400,000	100%	–	Clinic/ the PRC	(f)
Guangdong Yecheng*	the PRC/ 10 February 2011	RMB50,000,000	100%	–	Insurance Agency/ the PRC	(g)
Pingan (Nantong) Internet Hospital Company Limited*	the PRC/ 15 November 2018	RM80	100%	–	Hospital/ the PRC	(h)

* Directly owned subsidiaries of PAHC

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

(All amounts expressed in RMB thousand unless otherwise stated)

37 Subsidiaries and Controlled Structured Entities (Continued)

Notes:

- (a) Kang Jian entered into a share purchase agreement on 18 January 2018 with Ms. Zhang Yanlin in relation to the acquisition of 100% shareholding interest of Zhongyikang, at a consideration of RMB6,900 thousand. The change of shareholder registration in the local industrial and commercial administration for Zhongyikang was completed on 13 March 2018.
- (b) Shanghai Pingan Health Culture was established by the Group in the PRC on 21 November 2016 as a wholly-owned subsidiary of PAHC. On 29 March 2018, PAHC transferred 100% shareholding interest of Shanghai Pingan Health Culture to Kang Jian.
- (c) The Company entered into a subscription agreement on 14 August 2018 with A2G Holdings Inc. ("A2G"), a wholly-owned subsidiary of Grab Holdings Inc. ("Grab") and Grab in relation to the formation of Good Doctor Technology Limited, which will engage in online medical and wellness services primarily through a mobile platform. Good Doctor Technology Limited shall have a registered capital of USD20 million, which shall be contributed by the Company through its wholly owned subsidiary, Good Doctor Online Healthcare Limited and A2G in proportion to their respective equity interests of 70% and 30%. Good Doctor Technology (Singapore) Pte. Ltd. is a wholly owned subsidiary of Good Doctor Technology Limited, which was incorporated in Singapore on 11 December 2018.
- (d) Yu Kang Limited was established by the Company on 12 December 2018. It is a wholly-owned subsidiary of the Company.
- (e) Yinchuan Pingan Internet Hospital Company Limited was established by PAHC in the PRC on 12 March 2018. It is a wholly-owned subsidiary of PAHC.
- (f) PAHC entered into an equity transfer agreement with Ping An Financial Technology, Guangfengqi (together "the Vendors") and Wanjia Healthcare to acquire 63.16% equity interest in Wanjia Healthcare from Ping An Financial Technology and 36.84% equity interest in Wanjia Healthcare from Guangfengqi, at the consideration of RMB980 million. Until 8 October 2018, PAHC has paid the entire consideration to the Vendors. Shanghai Wanjia, Shenzhen Wanjia, Xiamen Wanjia, Siming Clinic and Anan clinic are all subsidiaries of Wanjia Healthcare.
- (g) PAHC entered into a share purchase agreement on 6 September 2018 with Ms. Ye Genzhi and Ms. Li Youqin in relation to the acquisition of 100% shareholding interest of Guangdong Yecheng. The change of shareholder registration in the local industrial and commercial administration for Guangdong Yecheng was completed on 10 October 2018.
- (h) Pingan (Nantong) Internet Hospital Company Limited was established by PAHC in the PRC on 15 November 2018. It is a wholly-owned subsidiary of PAHC.

Four Year Financial Summary

Condensed Consolidated Income Statement

	Year ended 31 December			
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Revenue	278,690	601,494	1,868,021	3,337,849
Gross profit	110,767	253,579	612,070	911,938
Net loss for the year	(323,708)	(758,215)	(1,001,643)	(913,055)
Net loss attributable to the owners of the Company	(323,708)	(758,215)	(1,001,643)	(911,662)

Condensed Consolidated Statement of Financial Position

	As of 31 December			
	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000
Total assets	307,089	4,187,670	5,972,080	12,373,521
Total liabilities	417,543	1,813,375	1,938,118	2,106,229
Total equity	(110,454)	2,374,295	4,033,962	10,267,292
Equity attributable to the owners of the Company	(110,454)	2,374,295	4,033,962	10,198,920

The Company was established in 2014 and no audited financial data was prepared for that year. Therefore, only the financial summary for the previous four financial years is presented.

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

“AI”	artificial intelligence, the use of machine to aid or replace human in doing certain tasks by simulating the sight, hearing, senses and thinking of human
“Bang Qi Jian”	Bang Qi Jian Limited (幫騏鍵有限公司), a company incorporated under the laws of BVI on 10 November 2014, held by Ms. WANG Wenjun and Mr. DOU Wenwei on behalf of BQJ Beneficiaries, and one of our Controlling Shareholders
“Board”	the board of directors of our Company
“Cayman Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company”, “the Company”	Ping An Healthcare and Technology Company Limited (平安健康醫療科技有限公司) (formerly known as Glorious Health Limited (鑫康有限公司)), an exempted company incorporated in the Cayman Islands with limited liability on 12 November 2014
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, collectively refers to Glorious Peace, Ping An and Le Jin Xuan Controlling Shareholder Group
“Corporate Governance Code”	the Corporate Governance code as set out in Appendix 14 to the Listing Rules
“Director(s)”	the director(s) of our Company
“Dual-active Mechanism”	the establishment of a backup data center to ensure the continuous availability of the Company’s services and data, and that the business is not disrupted due to the failure of the primary data center network or hardware equipment
“EIS Option(s)”	the option(s) granted and to be granted to our Directors and employees of our Group under the Employee Incentive Scheme
“EIS Share(s)”	70,000,000 Ordinary Shares of our Company held by Le An Xin through Le Jin Xuan
“Employee Incentive Scheme”	the scheme adopted by our Company on 26 December 2014, as amended or otherwise modified from time to time, to grant options to the incentive targets
“Glorious Delight”	Glorious Delight Limited (鑫悅有限公司), a company incorporated under the laws of Hong Kong on 14 November 2014, and a wholly-owned subsidiary of our Company

Definitions

“Glorious Peace”	Glorious Peace Limited (安鑫有限公司), a company incorporated under the laws of BVI on 10 November 2014 and an indirect wholly-owned subsidiary of Ping An, and one of our Controlling Shareholders
“GMV”	gross merchandise volume, the total value of all orders placed on our platform, including orders for products and services placed in our health mall business under both the direct sales and marketplace models, regardless of whether the goods are returned
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiaries and the Operating Entities or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
“Guangdong Yecheng”	Guangdong Yecheng Insurance Agent Company Limited (廣東業誠保險代理有限公司), a company incorporated under the laws of PRC on 10 February 2011, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“Hefei Kuaiyijie”	Hefei Kuaiyijie Medical Electronic Commerce Company Limited (合肥快易捷醫藥電子商務有限公司), a company incorporated under the laws of PRC on 29 March 2005, a wholly-owned subsidiary of Ping An Health Cloud and one of our Operating Entities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People's Republic of China
“Hop-Fast” or “Hop-Fast Limited”	Hop-Fast Limited, a company incorporated under the laws of BVI on 7 May 2015, which is wholly-owned by Mr. Law and is one of our Controlling Shareholders
“Jiangsu Nabaite”	Jiangsu Nabaite Pharmacy Company Limited (江蘇納百特大藥房有限公司), a company incorporated under the laws of PRC on 11 October 2017, a wholly-owned subsidiary of Jiangxi Nabaite and is one of our Operating Entities
“Jiangxi Nabaite”	Jiangxi Ping An Good Doctor Chainstore Company Limited (江西平安好醫生大藥房有限公司, formerly known as Jiangxi Nabaite Pharmacy Company Limited), a company incorporated under the laws of PRC on 24 January 2014, a wholly-owned subsidiary of Ping An Health Cloud and is one of our Operating Entities
“Kang Jian”	Kang Jian Information Technology (Shenzhen) Co., Ltd. (康鍵信息技術(深圳)有限公司), a company incorporated under the laws of PRC on 13 February 2015 and a wholly-owned subsidiary of our Company

“Le An Xin”	Le An Xin (PTC) Limited, a company incorporated under the laws of BVI on 17 October 2017, and is one of our Controlling Shareholders
“USD”	United States dollars, the lawful currency of the United States
“Le Jin Xuan”	Le Jin Xuan Limited (樂錦煊有限公司), a company incorporated under the laws of BVI on 10 November 2017 and is one of our Controlling Shareholders
“Listing”	the listing of the Shares on the Main Board
“Listing Date”	the date is 4 May 2018, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“LJX Controlling Shareholder Group”	Le Jin Xuan, Le An Xin, Mr. WANG Tao, Bang Qi Jian, Zheng He Pentagon Fund L.P., Hop-Fast, Rui Jian, Mr. QIN Jian, Mr. ZHU Chengbo, Ms. WANG Wenjun, Mr. DOU Wenwei, Mr. Law and ZH GP 5
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“MAU”	monthly active users who access services or products through mobile apps, plug-ins, WAP or other channels at least once during a calendar month
“Memorandum and Articles of Association”	the amended and restated memorandum and articles of association of our Company, conditionally adopted on 19 April 2018, with effect from the Listing Date, and as amended from time to time
“Mr. Law”	Mr. Law Siu Wah Eddie, one of our non-executive Directors and Controlling Shareholders
“MPU”	monthly paying users, meaning the number of users that purchase our products and/or services on our platform through mobile app, WAP or plug-in channels at least once during a calendar month
“Operating Entities”	collectively, Ping An Health Cloud, Hefei Kuaiyijie, Jiangxi Nabaite, Jiangsu Nabaite, Pingan (Nantong) Internet Hospital, Pingan (Qingdao) Internet Hospital, Pingan (Hefei) Internet Hospital, Pingan (Yinchuan) Internet Hospital, Shanghai Hao Yi, Wanjia Healthcare and Guangdong Yecheng, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements

Definitions

“Ping An Asset Management”	Ping An Asset Management Co., Ltd. (平安資產管理有限責任公司), a company incorporated under the laws of the PRC on 27 May 2005, a subsidiary of Ping An
“Ping An Bank”	Ping An Bank Co., Ltd. (平安銀行股份有限公司), a company incorporated under the laws of the PRC on 22 December 1987, whose shares are listed on the Shenzhen Stock Exchange (SZSE: 000001), and is a subsidiary of Ping An
“Ping An Financial Technology”	Shenzhen Ping An Financial Technology Consulting Co., Ltd. (深圳平安金融科技諮詢有限公司), a company incorporated under the laws of the PRC on 16 April 2008, and is a subsidiary of Ping An;
“Ping An Group”	Ping An and its subsidiaries
“Ping An Health Cloud”	Ping An Health Cloud Company Limited (平安健康互聯網股份有限公司), a company incorporated under the laws of PRC on 20 August 2014 and is one of our Operating Entities
“Ping An Health Insurance”	Ping An Health Insurance Company of China, Ltd. (平安健康保險股份有限公司), a company incorporated under the laws of PRC on 13 June 2005 and a subsidiary of Ping An
“Ping An Life Insurance”	Ping An Life Insurance Company of China, Ltd. (中國平安人壽保險股份有限公司), a company incorporated under the laws of PRC on 17 December 2002 and a subsidiary of Ping An
“Ping An Property & Casualty Insurance”	Ping An Property & Casualty Insurance Company of China, Ltd. (中國平安財產保險股份有限公司), a company incorporated under the laws of PRC on 24 December 2002 and a subsidiary of Ping An
“Ping An”/“Ping An Insurance (Group)”	Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), a company incorporated under the laws of PRC whose shares are dually listed on the Shanghai Stock Exchange and the Stock Exchange (SSE: 601318; SEHK: 2318). It is one of our Controlling Shareholders
“Pingan (Nantong) Internet Hospital”	Pingan (Nantong) Internet Hospital Company Limited (平安(南通)互聯網醫院有限公司), a company incorporated under the laws of PRC on 15 November 2018, a wholly-owned subsidiary of Ping An Health Cloud and is one of our Operating Entities
“Pingan (Hefei) Internet Hospital”	Pingan (Hefei) Internet Hospital Company Limited (平安(合肥)互聯網醫院有限公司), a company incorporated under the laws of PRC on 21 September 2017, a wholly-owned subsidiary of Ping An Health Cloud and is one of our Operating Entities
“Pingan (Qingdao) Internet Hospital”	Pingan (Qingdao) Internet Hospital Company Limited (平安(青島)互聯網醫院有限公司), a company incorporated under the laws of PRC on 24 April 2017, a wholly-owned subsidiary of Ping An Health Cloud and is one of our Operating Entities

“Pingan (Yinchuan) Internet Hospital”	Yinchuan Pingan Internet Hospital Company Limited (銀川平安互聯網醫院有限公司, formerly known as Pingan (Yinchuan) Internet Hospital Company Limited), a company incorporated under the laws of PRC on 12 March 2018, a wholly-owned subsidiary of Ping An Health Cloud and is one of our Operating Entities
“PRC” or “China”	The People's Republic of China. For the purposes of this report only and except where the context requires otherwise, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 19 April 2018
“Reporting Period”	the year ended 31 December 2018
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Rui Jian”	Rui Jian Limited (銳健有限公司), a company incorporated under the laws of BVI on 27 September 2017, which is held by Mr. QIN Jian as to 50.1% and Mr. ZHU Chengbo as to 49.9% and is one of our Controlling Shareholders
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Hao Yi”	Shanghai Hao Yi Smart Technology Company Limited (上海濤醫智能科技有限公司), a company incorporated under the laws of PRC on 21 November 2017, a subsidiary of Ping An Health Cloud and one of our Operating Entities
“Shanghai Pingan Health Culture”	Shanghai Pingan Health Culture Communication Company Limited (上海平安健康文化傳播有限公司), a company incorporated under the laws of PRC on 21 November 2016, one of our subsidiaries
“Share(s)”	ordinary share(s) in the share capital of our Company with a par value of US\$0.00001 each before share subdivision and with a par value of US\$0.000005 after share subdivision
“Shareholder(s)”	holder(s) of the Shares
“SKU”	stock keeping unit, offered through our online direct sales and on our online marketplace. The number of SKUs does not represent the number of distinct products offered through our health mall. We may assign different SKUs to the same product if it is sourced from different suppliers or if it is sold both via our direct sales and online marketplace or by more than one supplier or marketplace vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in Chapter 622 section 15 of the Companies Ordinance of Hong Kong

Definitions

“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“Vision Fund Singapore SPV”	SVF Ping Subco (Singapore) PTE. Ltd., a company incorporated under the laws of Singapore on 8 December 2017, one of our Shareholders
“Urumqi Guangfengqi”	Urumqi Guangfengqi Equity Investment Limited Partnership (烏魯木齊廣豐旗股權投資有限合夥企業), a limited partnership established under the laws of the PRC, where Mr. Dou Wenwei and Ms. Wang Wenjun act as the general partner and limited partner, respectively;
“Wanjia Healthcare”	Ping An Wanjia Healthcare Investment Management Co., Ltd. (平安萬家醫療投資管理有限責任公司), a company incorporated under the laws of PRC on 4 July 2016 and a subsidiary of Ping An
“WAP”	wireless application protocol, referring to access via a mobile browser using this protocol
“ZH GP 5”	ZH GP 5 Limited, an exempted Company incorporated in the Cayman Islands on 25 November 2015 and one of our Controlling Shareholders
“Zheng He Health”	Zheng He Health and Medical Resources Limited, a company incorporated under the laws of BVI on 24 November 2015, and is ultimately controlled by Mr. Law
“Zheng He Pentagon Fund L.P.”	an exempted limited partnership incorporated in Cayman Islands on 27 November 2015 and is one of our Controlling Shareholders
“Zhongyikang”	Jiangsu Zhongyikang Pharmaceutical Company Limited (江蘇眾益康醫藥有限公司), a company incorporated under the laws of the PRC on 14 December 2006, a wholly-owned subsidiary of Kang Jian
“%”	per cent

