

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)

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# 2019 Annual Report



Stock Code : 1833

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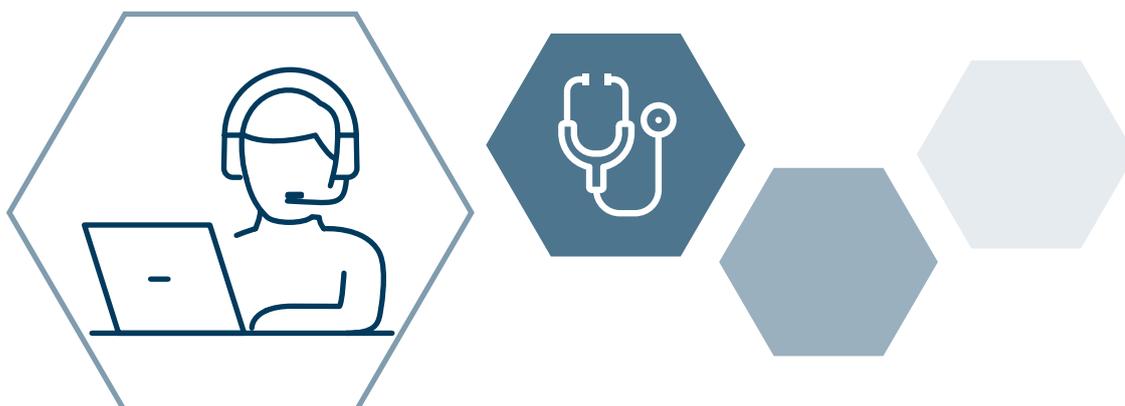
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# Corporate Information

## Directors

### Executive Director

Mr. WANG Tao (Chairman)

### Non-executive Directors

Mr. LEE Yuan Siong (resigned on 29 November 2019)

Ms. TAN Sin Yin (appointed on 29 November 2019)

Mr. YAO Jason Bo

Ms. CAI Fangfang

Mr. DOU Wenwei

Ms. WANG Wenjun

Mr. LAW Siu Wah Eddie (resigned on 30 December 2019)

### 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 (resigned on 30 December 2019)

### 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 (resigned on 30 December 2019)

### 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

The offices of Maples Corporate Service Limited  
 PO Box 309  
 Ugland House  
 Grand Cayman  
 KY1-1104  
 Cayman Islands

## Head Office and Principal Place of Business in China

17-19/F, Block B  
 Shanghai Ping An Building  
 No. 166, Kaibin Road  
 Shanghai  
 PRC

## Principal Place of Business in Hong Kong

40th Floor  
 Sunlight Tower  
 No. 248 Queen's Road East  
 Wanchai  
 Hong Kong

## Corporate Information

### Compliance Advisor

Somerley Capital Limited  
20/F, China Building  
29 Queen's Road Central  
Hong Kong

### Principal Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited  
PO Box 1093, Boundary Hall  
Cricket Square  
Grand Cayman, KY1-1102  
Cayman Islands

### Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited  
Shops 1712-1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

### Principal Banks

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

### Stock Code

1833

### Company's Website

[www.pagd.net](http://www.pagd.net)

### Listing Date

4 May 2018

### 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:

Shanghai International Economic & Trade Law Office  
Room 305, Huaihai China Building  
No. 885 Renmin Road  
Shanghai  
PRC

#### As to Cayman Islands law:

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

# Key Financial and Operational Data

(Highlights in 2019)

**Registered users:**

 **315.2** million

An increase of **50.0** million during the past 12 months 

**MAU:**

**66.9** million 

 year-on-year growth **22.3%**

**Average daily consultations:**

**729** thousand 

 year-on-year growth **36.3%**

**MPU:**

 **3.0** million

 year-on-year growth **26.0%**

**Online Medical Services Revenue:**

 **858.0** (RMB) million

 year-on-year growth **108.9%**

**Revenue:**

**5,065.4** (RMB) million 

 year-on-year growth **51.8%**

# Chairman's Statement



## WANG TAO

### Chairman and Chief Executive Officer



The new era of China Internet healthcare industry has come. This is the most significant message received by all Internet healthcare participants in China in 2019. Driven by the Chinese government's determination to implement the healthcare reform, the industry enjoyed a hyper-growth from water testing to regulated development. In April 2018, the *Opinions of the General Office of the State Council on Promoting the Development of "Internet + Healthcare"* was released, which clarified the positioning and development direction of the Internet healthcare services in China. The content of core industry policies gradually became solidified after the release of the *Administrative Measures for Internet Hospitals (for Trial Implementation)*, the *Administrative Measures for Internet-based Consultations (for Trial Implementation)*, and the *Regulations for the Management of Telemedicine Services (for Trial Implementation)* in September 2018. On 30 August 2019, the National Healthcare Security Administration promulgated the *Guidelines on Optimizing Prices of "Internet +" Medical Services and Social Health Insurance (SHI) Payment Policies*, which was one month ahead of the plan of State Council. It showed that policymakers have accelerated the pace with favorable policies, to solve the bottleneck for

China's Internet healthcare development. As a leader in the industry, Ping An Good Doctor has been in this field for more than five years, and is directly benefiting from a more proactive and open industry policy. While we continue to provide users with high-quality and efficient medical and healthcare services, we are also actively exploring cooperation opportunities with local governments across China. Taking advantage of our experience of Internet healthcare platform operations and strong AI capability, we hope to develop China's Internet healthcare industry by empowering local governments to boost efficiency and providing users with high-quality healthcare service experiences, starting from the medical resource supply.

## Chairman's Statement

Ping An Good Doctor leverages on its in-house full-time medical team and its proprietary AI-based medical system to provide users with timely high-quality medical services, covering 24/7 (24 hours per day, 7 days per week) end-to-end services including online consultation, prescription, referral, appointment, second medical opinion and 1-hour drug delivery. Meanwhile, the continuous expansion of our nationwide and global medical network provides users with a wide range of medical and healthcare services as well as personalized health management plans including our membership services.

During the Reporting Period, total revenue of the Group amounted to RMB5,065.4 million, representing a year-on-year increase of 51.8%. Revenue growth remained robust across all business segments. In particular, revenue from Online Medical Services amounted to RMB858.0 million, representing a year-on-year growth of 108.9%. Online Medical Services revenue accounted for 16.9% of the Group's total revenue for 2019, an increase from 12.3% recorded for the year ended 31 December 2018. With continuous improvement in business management and operating leverage, our net loss narrowed to RMB746.7 million, down 18.2% compared to the same period last year, while net loss margin decreased by 12.7 percentage points to 14.7% from 27.4% in the same period last year. Our online platform's core operating metrics also recorded strong growth: as of 31 December 2019, the number of registered users reached 315.2 million, an increase of 50.0 million or 18.9% from the end of 2018; the number of monthly active users and the number of monthly paying users reached 66.9 million and 3.0 million, an increase of 22.3% and 26.0% year-on-year respectively; our annual average conversion rate of paying users increased by 0.4 percentage point to 4.0% from 3.6% in the same period last year, reflecting improved monetization of our business model.

We recruit highly-skilled and experienced medical professionals from offline medical institutions to join our in-house medical team to provide our users with timely and efficient 24/7 consultation and diversified membership services. Our full-time doctors are recruited from the well-known top 3A hospitals including Beijing Military Region General Hospital, Obstetrics and Gynecology Hospital Affiliated to Fudan University, Shanghai Changzheng Hospital, Guangzhou Women and Children's Medical Center and etc. By combining our proprietary AI technology with our in-house medical team, we are able to significantly improve the efficiency of the medical consultation services. As of 31 December 2019, annual average daily consultations grew by 36.3% year-on-year to 729 thousand. Before the Chinese government fully rolling out the subsidy for Internet healthcare, collaboration with commercial insurance and the membership products will still be the main sources of our Online Medical Services revenue. Leveraging on experiences gained from our existing membership products (Health 360) and capitalizing on our continuously improving and the evolving ecosystem, we officially launched our new strategic product "Private Doctor Membership" in the second half of 2019, to offer comprehensive quality medical and healthcare services to users including children, adults, the elderly and the chronic disease patients. Customers will receive service from the dedicated private doctors (all senior doctors from our own in-house medical team) and have access to an expert group of medical professionals (renowned doctors in the respective fields from the top 100 hospitals) across the country. Our active healthcare services include 24/7 online consultation, secondary medical opinion, offline hospital outpatient appointment, health management, and chronic disease management. We believe this innovative model can accurately target the actual demands of the Chinese customers for family medical services. Moreover, it has also created trust-based mutual relations between doctors and patients through the long-term interactions, and served as a substitute to share the pressure from offline medical services supply. As of the end of 2019, which is less than half a year upon service launch, we have received positive feedbacks and member satisfaction reached to 99.85%, signaling our epoch-making Private Doctor Membership product was highly recognized by our users and has taken the first step to success. As of 31 December 2019, our existing membership products generated revenues of over RMB400 million in total.

## Chairman's Statement

Leveraging on our medical service capabilities, we continue to improve our healthcare ecosystem and expand our service radius. As of 31 December 2019, our healthcare network comprised over 150 medical beauty clinics, 430 Traditional Chinese Medicine (TCM) clinics, over 2,000 health check-up centers, nearly 1,800 dental clinics, over 48,000 clinics and 94,000 pharmacies. We established an extensive offline coverage all over China, which provides seamless O2O services to customers. In 2019, we started our "Scan QR code to conduct online consultation" cooperation with pharmacies, in order to empower traditional offline retail pharmacies' transformation into new retail clinic pharmacies to offer their customers quality healthcare services. As of the end of 2019, our number of collaborated pharmacies increased significantly to 94,000, compared to 15,000 at the end of 2018, covering 375 cities in 32 provinces across China. In November 2019, we announced that we had acquired a 20% stake in Hydee Software, the largest ERP/SaaS information service provider of pharmacy channels in China. We will speed up our efforts in ecosystem deployment and further expand the cooperation, including but not limited to the promotion of our member services, providing value-added online services for offline medical institutions, aiming to achieve mutual benefits with our business partners.

As we expand our ecosystem, we empower our partners with our expertise in service, operations and technology. At the same time, our offline partners bring us considerable user traffic as well as a vast pool of potential paying users, which in turn accelerate the monetization of our platform. As our ecosystem continues to improve, we are able to provide our users with more diversified medical and healthcare services, while fully supporting the rapid development of various businesses.

Our AI-based medical system is the core engine of our platform. It consists of smart severe disease monitoring system, AI-based medical system, prescription automatic screening system (PASS) and smart medical quality monitoring platform. It is the key to improve our medical service quality and efficiency, and reduce costs at the same time. In 2019, our AI-based medical system was applied to all of the 22 departments of our in-house medical team, covering knowledge of 3,000 diseases, including structured knowledge about TCM. Through the massive 670 million real consultation records accumulated on the platform, we have continuously upgraded the natural language processing technology and reached to the industry-leading level in terms of accuracy rates of spoken languages extraction and intention judgment. We also continue to optimize the image algorithm, which has significantly improved accuracy in tongue diagnosis and recognition of some dermatosis. As of 31 December 2019, there were 1,409 members in our in-house medical team, up by 17.8% from the end of 2018. The 2019 annual average daily consultations reached 729 thousand, up 36.3% from the same period of 2018. This is a strong proof that our technology has been improving constantly. In 2019, we kicked off our overseas business, and AI-based medical system is our key exportation focus during the globalization process. The AI technology exportation requires not only the localization of engineering and business flows, but also the solution of many algorithm and expression issues in the medical and pharmaceutical fields. For example, natural language processing algorithms need to support multiple languages; image algorithms need to adapt to different races; and knowledge graphs need to connect to medical terminology and diagnosis as well as treatment paths in different regions. Ping An Good Doctor has completed the design and verification for the entire set of plans for AI-based medical system exportation so far, which is being implemented gradually. We plan to export solutions including smart triage, smart diagnosis, smart prescription and severe diseases monitoring in 2020.

## Chairman's Statement

The world is facing shortage of high-quality healthcare resources. The offline public healthcare system cannot meet people's growing demand for healthcare services. We believe that Internet healthcare is an effective solution to this problem. Therefore, while focusing on domestic markets, we export our technological strengths and Internet healthcare experience to overseas markets, working with local partners to provide local residents with efficient and high-quality online healthcare services. Our joint venture with Grab, the largest O2O Internet company in Southeast Asia, officially launched an online healthcare service platform in Indonesia in the fourth quarter of 2019, promising to serve nearly 300 million Indonesian users with services such as online diagnosis, drug delivery, online health mall, and offline appointment to create the largest Internet healthcare ecosystem in Southeast Asia. The joint venture has been highly recognized by the Indonesian regulators and relevant healthcare associations, and we signed a cooperation agreement with the Indonesian Doctors Association to jointly develop online healthcare services and explore health management solutions. In 2019, we established another joint venture with Softbank Group, Japan's largest telecommunications company, and launched an online healthcare service platform (beta version) in Japan at the end of the year. The platform offers comprehensive services, covering online consultation, hospital recommendation, health mall, counseling, and corporate health management. Supported by SoftBank Group's strong local network and market influence, the joint venture will build a one-stop Internet healthcare platform for 130 million Japanese users.

We actively undertake social responsibilities besides our core business expansion, and respond to the government's call for "targeted poverty alleviation and healthcare in less developed areas." We work closely with local governments to advance the Village Doctor Program. During the Reporting Period, we provided village doctors in Guangxi, Jiangxi, Inner Mongolia, Tibet and Yunnan with high-tech products and services, such as tailor-made application software, medical examination equipment, AI-based medical system, and multi-scenario remote training system. Moreover, we held a series of social welfare activities of "Famous Doctors Serving Rural Residents and Delivering Medicines to Doors." As of 31 December 2019, we upgraded more than 900 rural clinics, trained over 11,000 village doctors, and treated over 63,000 persons for free, greatly easing the shortage of medical resources in rural areas, effectively improving healthcare in poverty-stricken areas, and helping people there to become healthier. In addition, more than 48,000 clinics across China are performing healthcare service functions such as providing access to medical resources and offering tiered consultation services. However, most clinics vary in service quality and have insufficient patients. Ping An Good Doctor has been offering management training and industry standard certification services to clinics nationwide. More than 10,000 clinics from over 200 cities in 31 provinces have participated in the certification, covering general, dental, TCM and other specialized clinics. We have also assisted local clinics in connecting with the SHI system, improving the efficiency of clinic operations, and making it easier for local residents to access basic healthcare services and SHI reimbursement. By the end of 2019, we had connected clinics in Shanxi, Shenzhen, Harbin, Dongguan and Hefei with the SHI reimbursement system. We will further improve the standardized operations and service quality of clinics across the country to empower the healthcare system development in China.

## Chairman's Statement

Internet industry has changed the Chinese users' behavior in shopping, transportation and dining. If there is any sector that has not been completely disrupted by the Internet, healthcare must be the one. Internet should be a solution to the shortages and unbalanced supply of high-quality resources. We believe that the Chinese government also hopes that the Internet industry can transform the traditional healthcare sector in an orderly manner, rather than the wild expansion and rampant evolution within a short period like e-commerce and online transportation services. The *Guidelines on Improving "Internet +" Healthcare Service Prices and SHI Payment Policies* issued by the National Healthcare Security Administration (NHSA) on 30 August 2019 is a milestone for China's Internet healthcare industry. Provincial and municipal NHSAs will formulate detailed rules on the prices of Internet healthcare services as well as SHI payment scopes and proportions according to factors such as local healthcare status and SHI payment capacity. So far, local governments in Shandong, Sichuan, and Fujian have issued relevant rules. We believe the role of SHI payment in the Internet healthcare industry will become clearer as more details are being released by local governments. Meanwhile, Ping An Good Doctor is working with local governments to explore how to combine our advantages in Internet platform operations, online diagnosis services, and AI-based medical system with offline medical resources so as to "alleviate the difficulty of seeing a doctor" for citizens. In December 2019, we reached a cooperation agreement with the Fuzhou Health Commission to build an Internet hospital service platform in Fuzhou, which will be connected with 37 city- and county-level hospitals and over 100 local primary medical institutions. The platform consists of five modules, i.e. online diagnosis, prescription circulation, healthcare management, data monitoring, and back-office management, all constructed and operated by Ping An Good Doctor. The platform can be accessed through "Rong Yi Tong," a healthcare service platform built by Fuzhou Municipal Government (available on the "Rong Yi Tong" app, "Rong Yi Tong" WeChat public account, and "Rong Yi Tong" Alipay Lifestyle account). Fuzhou residents can register and log in to this platform with their SHI cards through "Rong Yi Tong" to enjoy

online follow-up consultations, chronic diseases medication refilling, prescription drug ordering and delivering, as well as SHI subsidies. This is the first full service regional Internet hospital service platform in China. Moreover, following the signing of a strategic cooperation agreement with Quzhou Municipal Government in July 2019 to build Quzhou-Ping An Internet Hospital, our Internet hospital platform in Quzhou was officially launched and put into operation in December. In 2020, the platform plans to cover more public hospitals in Quzhou, and to connect with the regulatory platform of Zhejiang province to explore SHI reimbursement for online drug purchases. By the end of 2019, the Internet hospital we built for local public hospitals in Luohe, Henan Province had been put into operation. SHI subsidizing Internet healthcare services is a pioneering initiative worldwide. New things always take time to develop. The Chinese government is working with practitioners to explore new practices, accumulate experiences, and making steady progress. We are confident and determined to play an important role in China's "Internet + Healthcare" arena. Leveraging on our strong healthcare team, advanced AI technology, and mature Internet operation experience, we will empower the government and benefit the Chinese people.

Last but not least, on behalf of the Board, I would like to thank our Shareholders, business partners and customers for their unwavering support, as well as our management and staff for their unremitting efforts. Internet healthcare business is a journey strewn with obstacles. However, we are not afraid of difficulties ahead. With all our strengths, we have laid a solid foundation for a long-term and continuous leading position in the industry. We are committed to "providing every family with a family doctor, creating an e-health profile for everyone, and setting up a health management plan for everyone." By doing so, we deliver high-quality services to users, create sustainable value for Shareholders, and contribute to the "Healthy China" national strategy.

**Wang Tao**

*Chairman*

Shanghai, 11 February 2020

# Management Discussion and Analysis

## Key Financial Data

	Year ended 31 December		Year-on-year change
	2019	2018	
	RMB'000	RMB'000	
Revenue	<b>5,065,429</b>	3,337,849	51.8%
Cost of sales	<b>(3,894,000)</b>	(2,425,911)	60.5%
Gross profit	<b>1,171,429</b>	911,938	28.5%
Selling and marketing expenses	<b>(1,206,673)</b>	(1,238,451)	-2.6%
Administrative expenses	<b>(1,075,307)</b>	(994,706)	8.1%
Other income	<b>41,895</b>	28,227	48.4%
Other gains – net	<b>109,267</b>	183,493	-40.5%
Finance income – net	<b>252,689</b>	201,910	25.1%
Share of losses of associates and joint ventures	<b>(27,429)</b>	(4,288)	539.7%
Loss before income tax	<b>(734,129)</b>	(911,877)	-19.5%
Income tax expense	<b>(12,587)</b>	(1,178)	968.5%
Loss for the year	<b>(746,716)</b>	(913,055)	-18.2%
Loss attributable to:			
– Owners of the Company	<b>(733,860)</b>	(911,662)	-19.5%
– Non-controlling interests	<b>(12,856)</b>	(1,393)	822.9%
Non-IFRS measure:			
Adjusted net loss	<b>(695,046)</b>	(924,142)	-24.8%

For the year 2019, total revenue of the Company amounted to RMB5,065.4 million, representing an increase of 51.8% from total revenue of RMB3,337.8 million recorded in 2018. Revenue growth was seen across all business segments. Gross profit recorded in 2019 was RMB1,171.4 million, representing an increase of 28.5% from RMB911.9 million recorded in 2018. Selling and marketing expenses represented 23.8% of total revenue for the year, down from 37.1% in 2018, while administrative expenses represented 21.2% of total revenue for the year, down from 29.8% in 2018. A net loss of RMB746.7 million was recorded in 2019, representing a decrease of 18.2% from the net loss of RMB913.1 million recorded in 2018.

## Management Discussion and Analysis

### Key Operational Data

	31 December 2019	31 December 2018	Year-on-year change
Number of registered users (in millions)	<b>315.2*</b>	265.2	18.9%
Accumulative consultation records (in millions)	<b>673.8</b>	407.1	65.5%

	Year ended 31 December		Year-on-year change
	2019	2018	
Online Medical Services Revenue (RMB in thousands)	<b>858,021</b>	410,729	108.9%
Average Daily Consultations (in thousands)	<b>729</b>	535	36.3%

	2019	2018	Year-on-year change
MAU (in millions, in the month of December)	<b>66.9</b>	54.7	22.3%
MPU (in thousands, in the month of December)	<b>2,969</b>	2,357	26.0%
Conversion rate of paying users (annual average)	<b>4.0%</b>	3.6%	+0.4 percentage point

	Year ended 31 December		Year-on-year change
	2019	2018	
GMV of the Health Mall (RMB in millions)	<b>4,447.0</b>	2,973.4	49.6%

Notes:

\* Users from the plug-in of Ping An Group account for 50.8% of total number of registered users.

## Management Discussion and Analysis

### Analysis on Principal Business Operations

2019 was a very complicated and grim year for China's economic development. The President and General Secretary Xi Jinping led the whole Party and the Chinese people of all ethnic groups to forge ahead, overcome difficulties, and make much headway in economic development.

Globally, the increasing geopolitical uncertainties, and the haggling U.S.-China economic and trade negotiations cast a cloud over the already sluggish world economic and trade environment. Domestically, the economy is facing with increasing difficulties and greater downward pressure. Despite the challenges, the demand and consumption for healthcare in China remain robust. According to data released by the National Bureau of Statistics, China's per capita healthcare spending grew at a yearly average rate of 12.7% from 2014 to 2018, significantly above the growth in per capita total spending of 8.2% during the same period. Healthcare spending accounted for 8.5% of total spending in 2018, up from 7.2% in 2014. The Internet healthcare industry, as part of the healthcare industry, has received close attention from the Party and the State Council. As pointed out by the President and General Secretary Xi Jinping, we should promote the "Internet + Healthcare," and continue to equalize, increase and facilitate people's access to basic public services. Premier Li Keqiang emphasized that we should speed up the development of "Internet + Healthcare" and enable the public to enjoy medical services at home.

In order to implement the key decisions of the Communist Party of China Central Committee and the State Council, the National Health Commission released three documents in July 2018, namely the *Administrative Measures for Internet-based Consultations (for Trial Implementation)*, the *Administrative Measures for Internet Hospitals (for Trial Implementation)*, and the *Regulations for the Management of Telemedicine Services (for Trial Implementation)*. In June 2019, the General Office of the State Council issued the *Key Tasks in 2019 for Deepening the Reform of the Healthcare System*, noting that regulatory details regarding online consultations and their coverage by SHI will be announced by the end of September 2019. On 30 August 2019, the National Healthcare Security Administration promulgated the *Guidelines on Improving Prices of "Internet + " Medical Services and SHI Policies*, one month ahead of the schedule. A series of policies were released one after another, demonstrating the Government's resolution to support and promote the Internet healthcare industry, and highlighting the expectation of the State and the public about expanding access to Internet healthcare services and improving the quality and efficiency of Internet healthcare services.

Being the leader in China's Internet healthcare industry, Ping An Good Doctor has developed a profound understanding of our mission. As a startup that went public only four years after being founded, we are fully aware of the challenges facing us. In 2019, Ping An Good Doctor continued to strengthen technology empowerment as well as our in-house medical team, and monetization of online medical services. While we grow and develop our existing business, we focus on our core competitiveness, leverage on favorable policies, develop the ecosystem, improve our strengths, solidify our status as an industry leader, and seek greater breakthroughs.

In 2019, the Group recorded rapid growth in all business segments. During the Reporting Period, total revenue grew by 51.8% year-on-year to RMB5,065.4 million. For our core businesses, revenue from online medical services increased by 108.9% year-on-year to RMB858.0 million. Revenue from online medical services accounted for 16.9% of the Group's total revenue for the year ended 31 December 2019, up 4.6 percentage points from 12.3% for the year ended 31 December 2018. Gross profit from online medical services increased by 130.0% year-on-year to RMB378.9 million, and accounted for 32.3% of the Group's total gross profit, up 14.2 percentage points from 18.1% for the year ended 31 December 2018. Meanwhile, operating expenses (including selling and marketing expenses and administrative expenses) accounted for 45.1% of total revenue in 2019, approximately 21.8 percentage points lower than 2018, reflecting improved operating leverage. Net loss narrowed by 18.2% to RMB746.7 million, while net loss rate decreased by 12.7 percentage points to 14.7%.

## Management Discussion and Analysis

### Launch of strategic products with core advantages

After years of development, Ping An Good Doctor has built the largest in-house medical team in the industry, and our full-time doctors have an average of over 14 years of practicing experience. Doctors are core assets of traditional healthcare as well as Internet healthcare. We believe that only by relying on such core assets, can we provide efficient, high-quality medical services, offer good experience to users, and make them gradually trust and accept the emerging Internet healthcare. How to monetize online healthcare services of doctors is another task for us to consider. Before the reimbursement for Internet healthcare services is fully included in the Social Healthcare Security Payment, the key growth strategy for monetizing our online medical services will continue to be collaborating with commercial insurers and offering fee-based membership products to our individual users which constitute major revenue sources and growth drivers of our online medical services sector.

Since the launch of fee-based Health 360 Membership services for Ping An Life policy users in early 2018, we have gained considerable product operation experience as well as massive member behavior data. On this basis, we launched the independent annual fee-based membership product "Private Doctor Membership" in August 2019, offering one-stop medical services from private doctors (all from Ping An Good Doctor's in-house medical team) to a wide section of the community, including children, adults, the elderly and the chronic disease patients. Such services include proactive health management advice, real-time consultations, second medical opinion from renowned doctors, arrangement for offline outpatient treatment and medical escort. In the meantime, private doctors will continue to track users' health status, manage chronic diseases, prevent potential diseases, and provide effective medical assistance plans by establishing electronic healthcare records, providing customized check-up plans, and tracking abnormal indicators for users. These are whole new initiatives at China's medical system and doctor-patient relationship. By subscribing a membership with a private doctor, the user can consult specialist about healthcare and medicare enquiries ranging from cold, children's growth & development issues to diabetes management via App or WeChat, and get various services in offline hospitals.

As of 31 December 2019, the revenue from our existing membership products exceeded RMB400 million.

### Another new record high for operational metrics and accelerating monetization

As of 31 December 2019, our registered users reached 315.2 million, meaning that there is one Ping An Good Doctor user out of every three Internet users in China. In December 2019, the number of monthly active users reached 66.9 million, registering a year-on-year increase of 22.3%. The number of monthly paying users reached 3.0 million for December 2019, representing an increase of 26.0% from December 2018. Average conversion rate of paying users reached 4.0% in 2019, up 0.4 percentage point on an annual basis. The number of average daily consultations reached 729,000, equivalent to the total number of daily consultations of 73 large top 3A hospitals in China. Such growth provides evidence that our one-stop healthcare platform is progressively changing people's healthcare behavior and experience from offline to online. We believe the combination of our unique value proposition and continuously improving operational capabilities will generate strong user engagement and stickiness, providing the basis for future rapid monetization.

## Management Discussion and Analysis

### AI technology empowering doctors and facilitating medical services

To solve the pain points of traditional medical service, we have developed our proprietary AI technology, leveraging technologies to achieve precise triage, medical resources allocation and greater efficiency in medical services, so as to improve medical quality systematically, reduce repetitive manual workloads, and shorten the time required for diagnosis and prescription. Our AI-based medical system includes four parts, namely smart severe disease monitoring system, AI-based medical system, PASS and smart medical safety monitoring platform, which have significantly improved consultation efficiency, diagnosis accuracy and patient experiences. In 2019, the number of average daily consultations reached 729,000, representing a year-on-year increase of 36.3%. As of the end of 2019, our in-house medical team had all together 1,409 members, representing an increase of 17.8% from the end of 2018. AI technology has contributed a lot to service efficiency of our in-house medical team. Apart from AI technology, we have also used technologies including blockchain and cloud computing to ensure data security. For example, we leveraged decentration and anonymity of blockchain to collect medical data, protect user privacy, and connect data. As of the end of 2019, we have accumulated over 670 million records on consultation. We were able to attend to higher volumes of consultations and our user satisfaction rate reached 98%. Covering the whole process of treatment, our AI-based medical system was applied to all of the 22 departments of our in-house medical team.

### Ongoing improvement of the diversified ecosystem centering on healthcare services

The growth and availability of high-quality medical and health resources have not been commensurate with the overall increase in affluence as medical services are mainly provided by doctors, most of whom work in public hospitals and face intensive offline medical workloads. Therefore, the scarcity of medical services is prominent. To address this huge market, we have been exploring ways to combine Internet medical services with offline scenarios to create new "Healthcare +" ecosystems. Focusing on the consultation and other medical service capabilities of our in-house medical team, we offer online medical services and one-stop membership services to empower our partners and continuously extend our ecosystem to expand the service scope. In addition, the abundant traffic and customer resources of our ecosystem partners also benefited our Internet platform.

Ping An Good Doctor seeks breakthroughs with QR code scanning for online consultation to empower traditional offline pharmacies upgrading and provide high-quality consultation services for in-store customers, making it convenient for users to consult doctors and order prescription drugs. Users of the Ping An Good Doctor App are also entitled to online consultation with the drugs delivered by or collected at the nearest pharmacy. As of the end of 2019, our number of collaborating pharmacies increased significantly to 94,000, compared to 15,000 at the end of 2018, covering 375 cities in 32 provinces across China. Relying on ecosystem cooperation such as Ping An Good Doctor + pharmacies and medical service + medication, we will further expand the cooperation with offline pharmacies in the future, including but not limited to the promotion and sales of services such as Private Doctor Membership, drug supply chain, and chronic disease management.

At the same time, traditional industries with a large number of users, such as consumer goods and finance, are facing challenges in increasing customer loyalty and enhancing product differentiation with high value-added services. Ping An Good Doctor relies on our existing membership service products, especially Private Doctor Membership, to provide customers in various industries with customizable healthcare membership services. In addition to Ping An Insurance and Ping An Bank, we also developed dozens of corporate clients including PKU Founder Life, Zhujiang Life Insurance, CITIC Bank, China Everbright Bank, Wyeth Nutrition, China Mobile and China Unicom in 2019. Leveraging the core advantages of our online medical services and the specific scenarios of each business partner, we aimed at the promotion and sales of a series of services including Private Doctor Membership. In addition, we also explored innovative cooperation models such as flexible packaging of membership rights and O2O mutual referral to complement with the advantages and achieve win-win situation.

## Management Discussion and Analysis

### Revenue and Gross Profit by Segment

	Year ended 31 December		
	2019	2018	Year-on-year
	RMB'000	RMB'000	change
<b>Revenue:</b>			
Online medical services	<b>858,021</b>	410,729	108.9%
Consumer healthcare	<b>1,112,356</b>	905,442	22.9%
Health mall	<b>2,902,186</b>	1,864,431	55.7%
– individual consumers *	<b>1,577,523</b>	1,147,977	37.4%
– corporate clients *	<b>1,324,663</b>	716,454	84.9%
Health management and wellness interaction	<b>192,866</b>	157,247	22.7%
<b>Total of revenue</b>	<b>5,065,429</b>	3,337,849	51.8%
<b>Gross profit:</b>			
Online medical services	<b>378,929</b>	164,752	130.0%
Consumer healthcare	<b>400,378</b>	418,098	-4.2%
Health mall	<b>234,826</b>	200,928	16.9%
– individual consumers *	<b>170,550</b>	169,132	0.8%
– corporate clients *	<b>64,276</b>	31,796	102.2%
Health management and wellness interaction	<b>157,296</b>	128,160	22.7%
<b>Total of gross profit</b>	<b>1,171,429</b>	911,938	28.5%
<b>Gross margin:</b>			
Online medical services	<b>44.2%</b>	40.1%	+4.1 percentage points
Consumer healthcare	<b>36.0%</b>	46.2%	-10.2 percentage points
Health mall	<b>8.1%</b>	10.8%	-2.7 percentage points
– individual consumers *	<b>10.8%</b>	14.7%	-3.9 percentage points
– corporate clients*	<b>4.9%</b>	4.4%	+0.5 percentage point
Health management and wellness interaction	<b>81.6%</b>	81.5%	+0.1 percentage point
<b>Total of gross margin</b>	<b>23.1%</b>	27.3%	-4.2 percentage points

\* In previous years this part was included in the health mall segment

#### Online medical services

Our proprietary AI technology and in-house medical team together to provide users with comprehensive medical services including 24/7 online consultation, referral, registration, online medication purchase, and 1-hour drug delivery. In addition, we also provide membership customers with access to high quality, end-to-end medical and healthcare services. As of 31 December 2019, we had 1,409 in-house medical staff members, representing an increase of 17.8% year-on-year. As of 31 December 2019, our AI-based medical system has been fully applied in all 22 departments of the in-house medical team, covering 3,000 diseases. We also structured the medical knowledge in the field of TCM, effectively improving the consultation efficiency of the in-house medical team.

In 2019, we continued to expand our cooperation with external doctors to make our one-stop medical services more efficient and convenient. As of 31 December 2019, we contracted with 5,381 renowned external doctors (with titles of associated chief physicians or above at top 3A hospitals) who mainly provide non-core service such as non-real-time online consultation and offline second medical opinion. Our hospital network comprised over 3,000 hospitals, including over 1,900 top 3A hospitals. As of the end of 2019, our number of partnering pharmacies increased significantly to 94,000, compared to 15,000 at the end of 2018, covering 375 cities in 32 provinces across China.

## Management Discussion and Analysis

During the Reporting Period, revenue from our online medical services amounted to RMB858.0 million, representing a significant year-on-year increase of 108.9%, largely attributable to the significant growth in revenue from membership service products (including Health 360 and Private Doctor Membership) and selling of electronic prescriptions attached to online consultation. The quality of our online medical services continued to improve with the rapid increase of revenues. Gross margin reached 44.2%, an increase of 4.1 percentage points year-on-year. We experienced higher gross margin from our major products and services associated with online medical services. In addition, the SLAs with Ping An Life Insurance resume normal profitability after we renewed the contract at higher service fees at the beginning of 2019.

	Year ended 31 December		
	2019	2018	Year-on-year change
	RMB'000	RMB'000	
Revenue	<b>858,021</b>	410,729	108.9%
Gross profit	<b>378,929</b>	164,752	130.0%
Gross margin	<b>44.2%</b>	40.1%	+4.1 percentage points

### Consumer healthcare

By accurately targeting users' healthcare demands, we provide individual and corporate clients with standardized service packages covering health check-ups, medical beauty, dental check-ups and genetic testing services. Based on users' check-up results and their electronic healthcare records, we provide users with value-added services including interpretation of check-up reports and arrangement of offline follow-ups to help improve their health status. Based on check-ups, we integrate diversified offline service resources to provide users with one-stop healthcare services including comprehensive and professional disease risk analysis and post check-up monitoring and guidance through our in-house medical team based on integration of health information. Our network of healthcare service providers continued to expand and comprised 430 traditional Chinese medicine clinics, over 2,000 checkup centers, nearly 1,800 dental clinics, over 150 medical beauty clinics, and over 48,000 clinics as of 31 December 2019.

During the Reporting Period, revenue from our consumer healthcare business amounted to RMB1,112.4 million, representing a year-on-year increase of 22.9%. We continued to upgrade check-up service packages and provide users with tailored check-up service, realizing steady growth of revenue. In the meanwhile, we further improved user experience of products to promote higher usage of our products. Since the beginning of 2019, we have improved our after-sales service. As a result, more and more users redeemed and used our check-up services, and the activation rate has increased significantly, driving higher the usage rate. The gross margin of the consumer healthcare business was 36.0% in 2019, representing a year-on-year decrease of 10.2 percentage points. This reflects the increased proportion of revenue from corporate check-up business which generates higher volume and lower margin. We expect the gross margin of this business segment to remain at the industry average level and continue to grow healthily in the future.

	Year ended 31 December		
	2019	2018	Year-on-year change
	RMB'000	RMB'000	
Revenue	<b>1,112,356</b>	905,442	22.9%
Gross profit	<b>400,378</b>	418,098	-4.2%
Gross margin	<b>36.0%</b>	46.2%	-10.2 percentage points

## Management Discussion and Analysis

### Health Mall

Our health mall is an important part of our one-stop healthcare services and an important channel to meet users' healthcare demands. With both direct sales and marketplace businesses, our health mall provides a wide range of easy-to-access products, including Chinese and Western pharmaceuticals (OTC drugs), nutrition and health products, medical devices, maternal and infant products, and sports and fitness products. During the Reporting Period, revenue from our health mall business amounted to RMB2,902.2 million, representing a year-on-year increase of 55.7%.

In 2019, we continued to put more efforts to operate user traffic, and improved the user experience and conversion rate continuously through personalized recommendation algorithms. Meanwhile, we continued to diversify our offerings. As of 31 December 2019, we collaborated with nearly 1,400 merchants, offering approximately 1.31 million SKUs, an increase of approximately 500 merchants and about 700,000 SKUs respectively from the same period in 2018. We have also cooperated with well-known TCM practitioners to develop a series of teas for lowering blood glucose and blood pressure, which are sold on the health mall as OEM products. In future, we will continue to accurately target on users' demands to promote our products so as to improve the conversion rate. As a supplement to our core business, our health mall business will realize steady growth in future.

	Year ended 31 December		
	2019	2018	Year-on-year change
	RMB'000	RMB'000	
Revenue	<b>2,902,186</b>	1,864,431	55.7%
Gross profit	<b>234,826</b>	200,928	16.9%
Gross margin	<b>8.1%</b>	10.8%	-2.7 percentage points

### Health mall - individual consumers

During the Reporting Period, revenue from individual consumers' procurement amounted to RMB 1,577.5 million, representing a year-on-year increase of 37.4%. Gross profit reached RMB 170.6 million, and gross margin was 10.8%.

### Health mall – corporate clients

During the Reporting Period, revenue from corporate clients' procurement amounted to RMB1,324.7 million, representing a year-on-year increase of 84.9%. Gross profit reached RMB64.3 million, and gross margin was nearly 5%.

### Health management and wellness interaction

Leveraging on the user traffic from our platform, our health management and wellness interaction business generates revenue by providing our corporate clients with precise advertising products and services. In 2019, we innovated in the marketing models targeting pharmaceutical companies, realizing an upgrade from marketing and promotion of medications to comprehensive strategic cooperation by providing pharmaceutical companies with value-added services including tailored patient education. In December 2019, we reached a cooperation with Merck, an internationally renowned pharmaceutical company. The two parties will cooperate to create a comprehensive digital healthcare solution, by combining Ping An Good Doctor's advantages in AI medical technology research and development, in-house medical team, user base, cooperation with insurance companies, online and offline medical resources and healthcare ecosystem, with Merck's rich experiences in medical expertise, high-quality drugs and innovative solutions. This digital solution will focus on auxiliary diagnosis of chronic diseases and infertility and targeted disease management, aiming to help patients. As of the end of 2019, our advertisers include Merck, Pfizer, MSD, Sanofi and other well-known international pharmaceutical companies.

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 App. We design and optimize our health management plans, tests and courses by predicting users' interests and hobbies through our recommendation engine, enabling us to entice users with relevant products and services.

## Management Discussion and Analysis

During the Reporting Period, despite the challenging situation of declining revenue in the medical advertisement industry, revenue from our health management and wellness interaction business reached RMB192.9 million, still representing a year-on-year increase of 22.7%. Gross profit reached RMB157.3 million, representing a year-on-year increase of 22.7%. Such growth was mainly attributable to our improved brand reputation, especially a great number of precise medical demand/users in the platform, driving the growth of advertising revenue. Gross margin reached 81.6%, comparable to the same period of 2018.

	Year ended 31 December		
	2019	2018	Year-on-year change
	RMB'000	RMB'000	
Revenue	<b>192,866</b>	157,247	22.7%
Gross profit	<b>157,296</b>	128,160	22.7%
Gross margin	<b>81.6%</b>	81.5%	+0.1 percentage point

## Management Outlook

Since establishment, Ping An Good Doctor has been fulfilling the mission of “building the world’s largest healthcare ecosystem and using technologies to make people healthier.” We provide timely and efficient medical services for people and address the pain point – an imbalance between the supply and demand of high-quality medical services – via our own in-house medical team through Internet and other technological approaches. This belief has supported us to keep forging ahead despite a road of bumpiness. The *Guidelines on Improving “Internet +” Medical Services Price and SHI Payment Policies* issued by the National Healthcare Security Administration on 30 August 2019 specified that “Internet +” medical services meeting relevant conditions can be included into the Social Health Insurance Payment. As more detailed documents are to be released by the central government, online medical services will be covered by Social Health Insurance and the pricing of online medical services will be standardized. Authorities on the provincial and municipal levels will also issue specific rules in this regard later on. In the long run, such policies will significantly encourage Internet hospitals to conduct online follow-ups, consultation triage while bringing high-quality medical resources to the less developed areas. In the meantime, such rules are of significance to Internet healthcare companies in terms of constructing business models and achieving profits. With an established in-house medical team, advanced AI technology and strengths of internet platform operation, Ping An Good Doctor will actively participate in the Internet medical platform constructions in different provinces and cities, working with local governments and hospitals to make Internet medical services accessible to more people. Meanwhile, Private Doctor Membership is redefining the doctor-patient relationship by transforming doctors and patients from strangers to acquaintances. Such change in doctor-patient relationship will also change the healthcare behaviors of the Chinese people. Admittedly, these changes will not happen overnight; they take time – as new things need to be tested by time before universal acceptance and recognition. But we believe in what we are doing.

With policy support, the route of “Internet + Healthcare” is set. As an industry leader, Ping An Good Doctor will sail through wind and waves to accomplish our mission.

## Selling and Marketing Expenses

Selling and marketing expenses for 2019 amounted to RMB1,206.7 million, representing a decrease of 2.6% from RMB1,238.5 million for 2018. Selling and marketing expenses accounted for 23.8% of the revenues for 2019, representing a year-on-year decrease of 13.3 percentage points. We optimized our sales and marketing strategies in 2019 and improved precision in user recruitment and engagement expenses.

## Management Discussion and Analysis

### Administrative Expenses

Administrative expenses for 2019 amounted to RMB1,075.3 million, representing an increase of 8.1% from RMB994.7 million for 2018. Administrative expenses accounted for 21.2% of total revenue in 2019, down 8.6 percentage points from 2018. Higher administrative expenses were mainly attributable to higher employee benefit expenses, as well as IT related expenses.

### Other Gains – Net

Other net gains for 2019 amounted to RMB109.3 million, representing a decrease of 40.5% from RMB183.5 million for 2018. The decrease was mainly attributable to lower gains from movements in USD against RMB during the Reporting Period.

### Finance Income – Net

Net finance income in 2019 amounted to RMB252.7 million, up 25.1% compared with net finance income of RMB201.9 million in 2018. The increase was mainly attributable to an increase in interest income.

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

Our net loss for the year 2019 amounted to RMB746.7 million, representing a decrease of 18.2% compared with RMB913.1 million recorded for the year 2018. 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 and one-off listing expenses, the adjusted net loss in 2019 amounted to RMB695.0 million, representing a decrease of 24.8% compared with the adjusted net loss of RMB924.1 million in 2018. The following table sets forth the adjusted net loss for the year ended 31 December 2019 and 2018 as the most directly comparable financial measure (namely, net loss for the year) calculated and presented in accordance with IFRS:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Loss for the year	<b>(746,716)</b>	(913,055)
Excluding:		
Share-based payments	<b>91,805</b>	126,945
Net foreign exchange gains	<b>(40,135)</b>	(156,276)
One-off listing expenses	–	18,244
Adjusted net loss	<b>(695,046)</b>	(924,142)

## Management Discussion and Analysis

### Liquidity and Financial Resources

Our cash and other liquid financial resources as of 31 December 2019 and 31 December 2018 were as follows:

	31 December	31 December
	2019	2018
	RMB'000	RMB'000
Cash and cash equivalents	4,965,455	926,485
Term deposits	–	5,744,512
<b>Cash and other liquid financial resources</b>	<b>4,965,455</b>	<b>6,670,997</b>

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.

As of 31 December 2019, our total available funds were RMB9,421.2 million.

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

Cash flows for the years ended 31 December 2019 and 31 December 2018 were as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Net cash used in operating activities	(504,204)	(1,085,193)
Net cash generated from/(used in) investing activities	4,476,643	(9,557,060)
Net cash generated from financing activities	8,825	7,015,576
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>3,981,264</b>	<b>(3,626,677)</b>
Cash and cash equivalents at the beginning of the year	926,485	4,594,641
Effects of exchange rate changes on cash and cash equivalents	57,706	(41,479)
<b>Cash and cash equivalents at the end of the year</b>	<b>4,965,455</b>	<b>926,485</b>

Net cash generated from investing activities mainly included proceeds of RMB8,521.5 million from term deposits with initial term of over three months, payments of RMB5,246.4 million for financial assets at fair value through profit or loss, and proceeds of RMB1,890.5 million from sales of financial assets at fair value through profit or loss.

As of 31 December 2019, we had no outstanding borrowings. Therefore, the gearing ratio is not presented herein.

## Management Discussion and Analysis

### 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 Expenditure

	Year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Purchase of property, plant and equipment, intangible assets and other assets	<b>121,019</b>	189,177

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 2019, 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 utilize any financial instruments for hedging any foreign exchange movements for the year ended 31 December 2019 (2018: Nil).

### Pledge of Assets

As of 31 December 2019, none of our assets were pledged.

### Contingent Liabilities

As of 31 December 2019, we did not have any material contingent liabilities.

### Dividend

For the year ended 31 December 2019, we did not pay or declare any dividend.

### Bank Loans and Other Borrowings

As of 31 December 2019, 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

Ping An Health Cloud, a wholly owned subsidiary of the Company, entered into the acquisition agreement with Shanghai Hydee Software, Ltd. (the “Target Company”) and the Vendor (the original shareholder of the Target Company), according to which: (i) on 16 October 2019, the Vendor agreed to sell and Ping An Health Cloud agreed to acquire from the Vendor 3,341,000 acquisition shares (representing approximately 8.63% of total issued shares of the Target Company on a fully-diluted basis) at a total consideration of approximately RMB49.1 million, and (ii) on 4 November 2019, the Target Company conditionally agreed to issue and allot, and Ping An Health Cloud agreed to subscribe 4,403,750 subscription shares (representing approximately 11.37% of total issued shares of the Target Company on a fully-diluted basis) at a total consideration of RMB81.9 million. Upon the completion, the Target Company will be owned as to 20.00% by the Company. Details of the acquisition agreement are set out in the announcement of the Company dated 5 November 2019.

### Material Investment and Future Plans of Capital Assets

As of 31 December 2019, we had no material investment and other plans for capital assets.

### Material Acquisitions and Disposals of Subsidiaries and Associates

For the year ended 31 December 2019, we did not have any material acquisitions or disposals of subsidiaries and associates.

### Employee and Remuneration Policy

The Group had a total of 2,900 employees as of 31 December 2019, 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 (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 recognized 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 50, 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 serving as the vice president of technology and senior vice president successively, 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 (中國產業領袖) 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. Mr. Wang was recognised as one of WISE 2019 Top 50 Change Makers of China Business (WISE 2019中國商業創變者50人) by 36Kr (36氪) in July 2019, Outstanding Individual of Comprehensive Health Industry in the 70th Anniversary of the Founding of New China (新中國成立70週年大健康產業傑出人物) by China Business (《中國經營報》) in October 2019, Pioneer of China Best Business Model (中國最佳商業模式先鋒人物) by 21st Century Business Herald (《21世紀經濟報導》) in December 2019 and Top 10 Characters 2019 (2019十大魅力人物) by Southern Weekly (《南方週末》) and Southern People Weekly (《南方人物週刊》) in the same month.

### Non-executive Directors

**Ms. TAN Sin Yin (陳心穎)**, aged 42, joined Ping An Group in 2013 and is currently Co-CEO of Ping An Group, primarily responsible for Ping An Group's technology businesses and digital innovation. Ms. Tan is a standing member of Ping An Group's Executive Management Committee and Investment Management Committee, supervising insurance, banking, investment, technology and Internet businesses. She serves on the board for various Ping An Group's subsidiaries, including Ping An Bank, OneConnect Financial Technology Co., Ltd. (金融壹賬通金融科技有限公司) (whose shares were listed on New York Stock Exchange on 13 December 2019, stock code: OCFT), Ping An Life Insurance and Ping An Property & Casualty Insurance. Before joining Ping An Group, Ms. Tan was a global partner at McKinsey & Company, and served clients in U.S.A. and Asia for 13 years.

Ms. Tan is a Singaporean, and graduated from Massachusetts Institute of Technology with a master's degree in electrical engineering and computer science, and a double bachelor's degree in electrical engineering and economics. With significant contributions to lead the innovative development of financial technology, medical technology and smart city in China, Ms. Tan was granted the Chinese Government Friendship Award 2019 (2019年度中國政府友誼獎). In December 2019, Ms. Tan was listed by Forbes as one of the World's 100 Most Powerful Women 2019 (2019年全球100位最具影響力女性).

## Directors and Senior Management

**Mr. YAO Jason Bo (姚波)**, aged 49, 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 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.

**Ms. CAI Fangfang (蔡方方)**, aged 46, 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. Since December 2019, she has been serving as a deputy general manager of Ping An Group. 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 controlling 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 center 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 54, 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 department of legal affairs of the Group's administration center and the responsible person of the legal team from April 2009 to January 2017. Mr. Dou has been serving as a non-executive director of OneConnect Financial Technology Co., Ltd. (金融壹賬通金融科技有限公司) (whose shares were listed on New York Stock Exchange on 13 December 2019, stock code: OCFT).

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 52, 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 general manager 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 center 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 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.

## Directors and Senior Management

### Independent Non-executive Directors

**Mr. TANG Yunwei (湯雲為)**, aged 75, 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 Shanghai Stock Exchange (stock code: 601231), since April 2017, an independent director of Hubei Sanonda Co., Ltd. (湖北沙隆達股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 000553), since December 2017 and an independent director of China Jushi Co., Ltd. (中國巨石股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600176), since May 2019. 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 in the UK 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 51, 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 Shanghai Stock Exchange (stock code: 600570), since October 2014, and Digiwin Software Co., Ltd. (鼎捷軟件股份有限公司), a company listed on 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.

**Mr. LIU Xin (劉鑫)**, aged 53, 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.

## Directors and Senior Management

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 69, 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 Hong Kong Stock Exchange (stock code: 1170), since June 1994, an independent non-executive director of MTR Corporation Limited, a company listed on Hong Kong Stock Exchange (stock code: 0066), since May 2016, and an independent director of S.F. Holding Co., Ltd (順豐控股股份有限公司) (formerly known as Maanshan Dingtai Rare Earth & New Materials Co., Ltd. (馬鞍山鼎泰稀土新材料股份有限公司)), a company listed on 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 Peng (吳鵬)**, aged 55, has been the general manager of Ping An Health Cloud since March 2019 when he joined our Group. Mr. Wu joined Ping An Group in 1989 and has served in various controlling subsidiaries of Ping An Group. Mr. Wu has over 30 years of experience in financial industry and he has extensive experience in sales and management. From April 1994 to December 2009, Mr. Wu successively served as the deputy general manager of Shenzhen Branch of Ping An Life Insurance, the general manager of Nanjing Branch of Ping An Life Insurance, the assistant manager of Ping An Property & Casualty Insurance, the deputy general manager of Ping An Life Insurance and the general manager of Ping An Property & Casualty Insurance. He served as the chairman of China Ping An Insurance (Hong Kong) Company Limited (中國平安保險(香港)有限公司) from December 2009 to July 2011 and as the vice president of Ping An Bank from August 2011 to March 2019.

Mr. Wu graduated from Nanjing University with a major in enterprise management in July 2003 and obtained his doctor's degree in management.

## Directors and Senior Management

**Mr. WU Zongxun (吳宗遜)**, aged 44, joined 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)網絡技術有限公司) 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 and heat treatment from Xi'an Jiaotong University (西安交通大學) in July 1997.

**Mr. WANG Qi (王齊)**, aged 47, joined 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)網絡技術有限公司) 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 as an architect at Shanghai branch of 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 (中國石油新疆地球物理研究所), 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 (白雲)**, aged 46, joined 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, and the chief marketing officer of Jiangsu Ju Teng Network Technology Company Limited (江蘇炬騰網絡技術有限公司) 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 Jiemiao News in November 2018, becoming the only female business leader in the healthcare industry to receive the honor in 2018.

## Directors and Senior Management

**Mr. CHEN Weijun (陳衛俊)**, aged 40, has been the chief innovation officer of Ping An Health Cloud since May 2019 when he joined our Group. Mr. Chen has nearly 20 years of experience in Internet technology and computer system development and management, relating to the research and development management of numerous domestic famous Internet technical projects of large online medical care, cloud SAAS, finance, large e-commerce, online game, enterprise informationization, etc. Mr. Chen joined Ping An Group in September 2012 and served as an assistant to the general manager and the chief technology officer of Ping An Financial Technology from September 2012 to September 2014, assistant to the general manager and the chief technology officer of Ping An Wanlitong (平安萬里通) from September 2014 to August 2016 and the chief executive officer of Ping An Interactive Entertainment (平安互動娛樂) from August 2016 to April 2019. Prior to that, Mr. Chen joined Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司) in February 2011 and served as the chief technical advisor. He joined Alibaba Group in February 2005 and successively served as the director of network engineering department of Alibaba Group and the chief technology officer of Alibaba Software (Shanghai) Co., Ltd. (阿里巴巴軟件(上海)有限公司). Mr. Chen joined Beijing Kingsoft Software Co. Ltd. (北京金山軟件有限公司) from September 2003 to February 2005, responsible for the technical architecture of Kingsoft Antivirus (金山毒霸) and for the research and development management of the first generation of online game engine of Seasun (西山居). He once served as a system architect in the EAS system engineering team of Kingdee International Software Group Company Limited (金蝶國際軟件集團有限公司).

**Mr. QIN Jian (秦戩)**, aged 40, joined 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 40, 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 served as a deputy general manager of the chairman's office from April 2017 to October 2018.

Ms. Lin obtained 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 32, 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 an associate of The Institute of Chartered Secretaries and Administrators in March 2016.

# Directors' Report

The Directors are pleased to present their report together with the consolidated financial information of the Group for the year ended 31 December 2019.

## Global Offering

Our Company was incorporated in the Cayman Islands on 12 November 2014 as an exempted company with limited liability under the 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" in Hong Kong.

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 online medical 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 sections headed "Management Discussion and Analysis" and note 5 to the Consolidated Financial Statements in this Annual Report.

## Use of Net Proceeds from Listing

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date with net proceeds received by the Company from the global offering in the amount of approximately HK\$8,564 million after deducting underwriting commissions and all related expenses. The following table set forth the Group's intended timetable for use of proceeds as of 31 December 2019.

Intended use of net proceeds	Allocation of net proceeds	Amount of net proceeds utilized as of 31 December 2019	Balance of net proceeds unutilized as of 31 December 2019	Intended timetable for use of the unutilized net proceeds
		(HK\$ in millions)		
(i) Business expansion	3,425.6	0	3,425.6	Before 31 December 2024
(ii) Funding our potential investments in acquisitions of the strategic alliances with domestic companies as well as our overseas expansion plan	2,569.2	0	2,569.2	Before 31 December 2025
(iii) Research and development	1,712.8	0	1,712.8	Before 31 December 2026
(iv) Working capital and general corporate purposes	856.4	0	856.4	Before 31 December 2028

## Directors' Report

### Results

The results of the Group for the year ended 31 December 2019 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 65 to 141 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 48 and the description of the principal risks and uncertainties facing the Company is set out in the section headed "Corporate Governance Report" on pages 49 to 64. The aforesaid discussion forms a part of the Directors' Report.

### Dividend Policy

The Board has resolved to adopt a dividend policy to set out the conditions of declaration and payment of dividend to the Company's Shareholders by the Board. The declaration and payment of dividend shall be determined by the Board at its sole discretion and in compliance with all the applicable requirements under the Cayman Companies Law and the Articles of Association of the Company (including but not limited to restrictions on dividend declaration and payment).

When recommending the payment of any dividend, the Board should also 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;
- 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 2019.

### Reserves

Details of the changes in reserves of the Group and the Company for the year ended 31 December 2019 are set out in Consolidated Statement of Changes in Equity and note 38 to the Consolidated Financial Statements in this Annual Report.

## Directors' Report

### Distributable Reserves

As of 31 December 2019, 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 2019 are set out in note 17 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 2019 are set out in note 27 to the Consolidated Financial Statements in this Annual Report.

### Subsidiaries

Details of the subsidiaries of the Company are set out in note 39 to the Consolidated Financial Statements in this Annual Report.

### Borrowings

As of 31 December 2019, the Group did not have any outstanding bank loans and other borrowings.

### Donation

For the year ended 31 December 2019, the Group made charitable donations of approximately RMB0.4 million (2018: RMB0.2 million).

### Financial Summary

A summary of the condensed consolidated results and financial position of the Group is set out on page 222 of the Annual Report.

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

For the year ended 31 December 2019, 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 2019, the Group did not issue any debentures.

### Significant Relationship with Stakeholders

#### Employees

As of 31 December 2019, the Group had a total number of 2,900 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.

## Directors' Report

### Users

The Company provided users with excellent online medical consultation services on 24x7 basis, and good experience of users further enhanced user loyalty and continuous improvements to the ecosystem. As at the end of 2019, the number of registered users reached 315.2 million, representing an increase of 50.0 million as compared to the end of 2018. 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 partnering suppliers and strengthen bilateral cooperative relationship.

## Major Customers and Suppliers

For the year ended 31 December 2019, the Group's five largest customer accounted for approximately 39.7% of the Group's total revenue and the Group's largest customers accounted for approximately 27.1% of the Group's total revenue. Besides, for the year ended 31 December 2019, the Group's five largest suppliers accounted for approximately 15.6% of the Group's total cost and the Group's largest suppliers accounted for approximately 4.0% 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) Ping An Pu Hui, one of our five largest customers, was a close associate of Ping An, Ms. WANG Wenjun and Mr. DOU Wenwei respectively. Other than the foregoing, during the year ended 31 December 2019, none of our Directors, their close associates or any Shareholders of the Company (who or which is, to the best knowledge of the Directors, owned more than 5% of the Company's issued share capital) had any interest in any of our top five customers.

## 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

The employee incentive scheme (the "EIS" or "Employee Incentive Scheme") was approved by the Board on 26 December 2014 and was amended by the Board on 12 May 2017, 20 January 2018 and 31 May 2019.

## Directors' Report

### 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.

### 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 position and performance of the EIS Participants.

### Maximum Number of Shares

The aggregate number of EIS Shares which may be granted by the Company in accordance with the Employee Incentive Scheme is 70,000,000 Shares (the number subject to share subdivision on the Listing Date). As of 31 December 2019, 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 37,857,318.

### 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 5 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 the 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 as the Employee Incentive Scheme mentioned above, no equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2019.

## Directors' Report

### Directors

The list of Directors who were in office during the year ended 31 December 2019 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 (resigned on 29 November 2019)

Ms. TAN Sin Yin (appointed on 29 November 2019)

Mr. YAO Jason Bo

Ms. CAI Fangfang

Mr. DOU Wenwei

Ms. WANG Wenjun

Mr. LAW Siu Wah Eddie (resigned on 30 December 2019)

#### Independent Non-executive Directors

Mr. TANG Yunwei

Mr. GUO Tianyong

Mr. LIU Xin

Dr. CHOW Wing Kin Anthony

### 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. 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 2019.

## Directors' Report

### 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' 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 2019, 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 <sup>(1)</sup>
DOU Wenwei <sup>(2)</sup>	Interest in controlled corporations	195,662,500	Long positions	18.33%
WANG Wenjun <sup>(2)</sup>	Interest in controlled corporations	195,662,500	Long positions	18.33%
WANG Tao <sup>(3)</sup>	Beneficial owner	4,920,000	Long positions	0.46%

Notes:

- (1) The calculation is based on the total number of Shares in issue of 1,067,294,200 Shares as of 31 December 2019.
- (2) As of 31 December 2019, each of Ms. WANG Wenjun and Mr. DOU Wenwei held a total of 195,662,500 Shares, among which each of Ms. WANG Wenjun and Mr. DOU Wenwei held 67,000,000 Shares through Bang Qi Jian and 128,662,500 Shares through Le Jin Xuan. Bang Qi Jian held 73.45% of the issued share capital of Le Jin Xuan. Each of Ms. WANG Wenjun and Mr. DOU Wenwei held 50% of the issued share capital of Bang Qi Jian. As such, each of Ms. WANG Wenjun and Mr. DOU Wenwei was deemed to be interested in the Shares held by Bang Qi Jian and Le Jin Xuan.

## Directors' Report

(3) As of 31 December 2019, Mr. WANG Tao was granted 4,920,000 Shares pursuant to the Employee Incentive Scheme, including 2,345,000 Shares held upon exercise of part of EIS Options under the Employee Incentive Scheme.

Save as disclosed above, as of 31 December 2019, 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 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 2019, 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 Substantial Shareholder	Nature of interest	Number of Shares held	Long positions/short positions	Approximate percentage of shareholding <sup>(1)</sup>
Le An Xin (PTC) Limited <sup>(2)</sup>	Beneficial owner	24,928,242	Long positions	5.53%
	Other interests (beneficial interests in equity derivatives)	34,162,500	Long positions	
Rui Jian Limited <sup>(2)</sup>	Interest in controlled corporations	59,090,742	Long positions	5.53%
QIN Jian <sup>(2)</sup>	Interest in controlled corporations	59,090,742	Long positions	5.53%
ZHU Chengbo <sup>(2)</sup>	Interest in controlled corporations	59,090,742	Long positions	5.53%
SVF Ping Subco (Singapore) Pte. Ltd <sup>(3)</sup>	Beneficial owner	67,200,000	Long positions	6.30%
SoftBank Vision Fund L.P. <sup>(3)</sup>	Interest in controlled corporations	67,200,000	Long positions	6.30%
Le Jin Xuan Limited <sup>(4)</sup>	Beneficial owner	128,662,500	Long positions	12.05%
Bang Qi Jian Limited <sup>(4)</sup>	Interest in controlled corporations	195,662,500	Long positions	18.33%
Glorious Peace Limited <sup>(5)</sup>	Beneficial owner	440,505,883	Long positions	41.31%
	Other interests	494,117	Long positions	
An Ke Technology Company Limited <sup>(5)</sup>	Interest in controlled corporations	440,505,883	Long positions	41.31%
	Other interests	494,117	Long positions	
Ping An Insurance (Group) Company of China, Ltd <sup>(5)</sup>	Interest in controlled corporations	440,505,883	Long positions	41.31%
	Other interests	494,117	Long positions	

## Directors' Report

Notes:

- (1) The calculation is based on the total number of Shares in issue of 1,067,294,200 Shares as of 31 December 2019.
- (2) As of 31 December 2019, Le An Xin (PTC) Limited ("Le An Xin") held a total of 59,090,742 Shares as the trustee on behalf of the beneficiaries under the Employee Incentive Scheme, among which Le An Xin held 24,928,242 Shares directly and held 34,162,500 Shares through Le Jin Xuan Limited ("Le Jin Xuan"). Le An Xin was directly wholly-owned by Rui Jian Limited ("Rui Jian"), which in turn was held by Mr. QIN Jian as to 50.1% and Mr. ZHU Chengbo as to 49.9%. As such, each of Rui Jian, Mr. QIN Jian and Mr. ZHU Chengbo was deemed to be interested in the Shares held by Le An Xin.
- (3) As of 31 December 2019, SoftBank Vision Fund L.P. held 67,200,000 Shares through SVF Ping Subco (Singapore) Pte. Ltd. ("Vision Fund Singapore SPV"). Vision Fund Singapore SPV was directly wholly-owned by SVF Holdco (Singapore) Pte. Ltd., which in turn was directly wholly-owned by SVF Holdings (Cayman) Ltd., which was directly wholly-owned by SVF Holdings (UK) LLP, which in turn was directly wholly-owned by SoftBank Vision Fund L.P. As such, each of SoftBank Vision Fund L.P., SVF Holdings (UK) LLP, SVF Holdings (Cayman) Ltd and SVF Holdco (Singapore) Pte. Ltd was deemed to be interested in the Shares held by Vision Fund Singapore SPV.
- (4) As of 31 December 2019, Bang Qi Jian held a total of 195,662,500 Shares, among which Bang Qi Jian held 67,000,000 Shares directly and held 128,662,500 Shares through Le Jin Xuan. Bang Qi Jian held 73.45% of the issued share capital of Le Jin Xuan and was therefore deemed to be interested in the Shares held by Le Jin Xuan.
- (5) As of 31 December 2019, Ping An Insurance (Group) Company of China, Ltd. held 441,000,000 Shares through Glorious Peace. Glorious Peace held a total of 441,000,000 Shares, among which 440,505,883 Shares were held directly and 494,117 Shares were entitled to be acquired from Hop-Fast Limited pursuant to the share purchase agreement entered into between Glorious Peace and Hop-Fast Limited on 1 December 2017 and partially exercised on 7 May 2019. Glorious Peace was wholly-owned by An Ke Technology Company Limited, which in turn was wholly-owned by Ping An Insurance (Group) Company of China, Ltd. As such, each of Ping An Insurance (Group) Company of China, Ltd. and An Ke Technology Company Limited was deemed to be interested in the Shares held by Glorious Peace.

Save as disclosed above, as of 31 December 2019, 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.

## Directors' Report

### 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 2019.

### 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 2019:

#### Connected Transactions

For the year ended 31 December 2019, the Company had no one-off connected transactions which were required to be disclosed under the Listing Rules.

#### 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 2019 (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.

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 2019 is RMB2,800.0 million, while the actual transaction amount for the year ended 31 December 2019 is approximately RMB2,448.2 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.

## Directors' Report

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 2019 is RMB400.0 million, while the actual transaction amount for the year ended 31 December 2019 is approximately RMB251.5 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, Guangzhou, Shenzhen and Fuzhou. 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 2019 is RMB63.1 million, while the actual transaction amount for the year ended 31 December 2019 is approximately RMB34.6 million.

### 4. *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 2019 is RMB13,819.1 million, while the actual maximum daily balance for the year ended 31 December 2019 is approximately RMB5,935.3 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 2019 is RMB414.6 million, while the actual transaction amount for the year ended 31 December 2019 is approximately RMB92.4 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 2019 is RMB11,055.3 million, while the maximum daily balance for the year ended 31 December 2019 is approximately RMB3,324.2 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 2019 is RMB497.5 million, while the actual transaction amount for the year ended 31 December 2019 is approximately RMB17.9 million.

### 5. Overseas Medical Services Referral Framework Agreement

On 20 December 2017, the Group entered into an 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 Siu Wah Eddie ("Mr. Law"). Accordingly, Zheng He Health is an associate of Mr. Law, who was a Controlling Shareholder of the Company during the Reporting Period, 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 2019 is US\$20.0 million, while the actual transaction amount for the year ended 31 December 2019 is RMB0.

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.

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

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.

## Directors' Report

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 2019, 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.

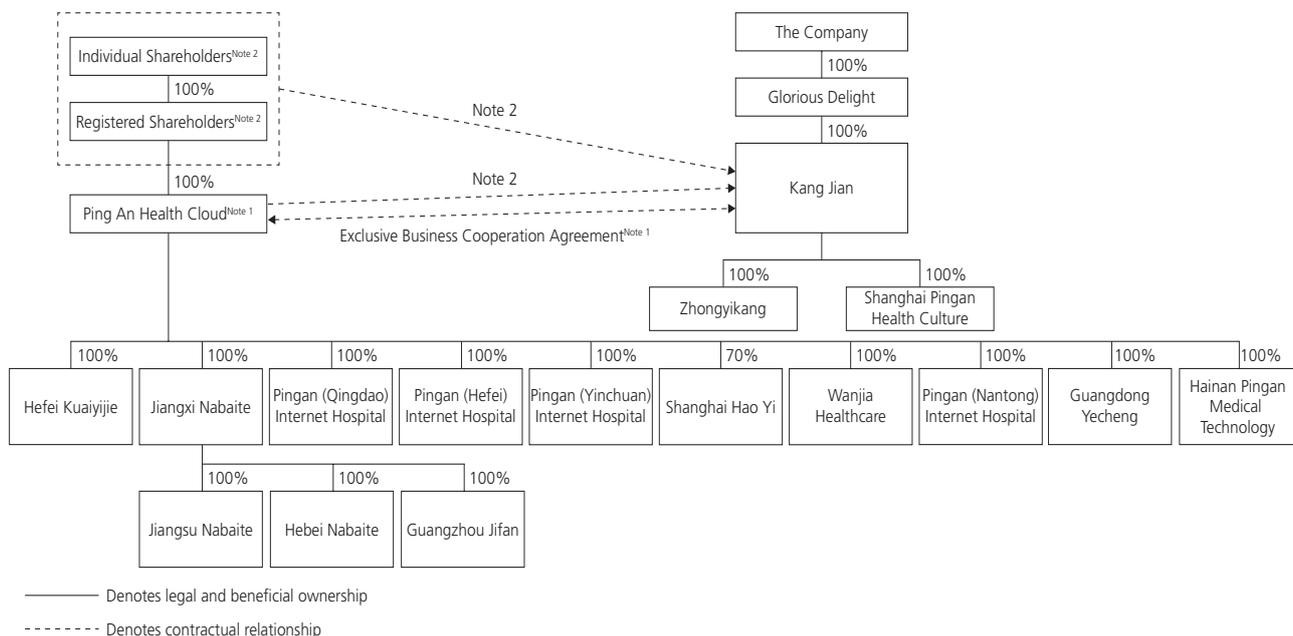
Saved as disclosed in the "Connected Transactions and Continuing Connected Transactions" in this annual report, none of the related party transactions as disclosed in note 34 to the consolidated financial statements constituted as connected transactions or continuing connected transactions as defined 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:

## Directors' Report



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 favor 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 favor 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". Ms. WANG Wenjun and Mr. DOU Wenwei are collectively referred to as "Individual Shareholders" (Registered Shareholders and Individual Shareholders together known as "PAHC Shareholders").

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 Ping An Health Cloud, after deducting any accumulated losses of 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.

## Directors' Report

### (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 the 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 the 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 the PRC laws and the articles of association 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 favor 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.

## Directors' Report

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

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or re-entered into between the Group and the PAHC Shareholders and/or Operating Entities during the year ended 31 December 2019. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the year ended 31 December 2019.

For the year ended 31 December 2019, 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 2019, 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 2019, the revenues of the Group all came from Ping An Health Cloud and its respective subsidiaries.

## Qualification Requirement

### Updates in Relation to the Qualification Requirements

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the "FITE Regulations"), which were amended on 10 September 2008 and 6 February 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including Internet information services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses overseas (the "Qualification Requirements"). Foreign investors that meet these requirements must obtain approvals from MIIT and/or its authorised local counterparts which retain considerable discretion in granting such approvals. For details of the Qualification Requirements, please refer to pages 224 to 225 of the Prospectus.

### Efforts and Actions Undertaken to Comply with the Qualification Requirements

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we are gradually building up our track record of overseas telecommunications business operations and have taken the following steps to comply with the Qualification Requirements:

1. the Company established a website in Hong Kong and kept providing healthcare information on the website;
2. the Company formed a joint venture with Grab in Southeast Asia and launched its services in Indonesia through online healthcare service platform including but not limited to online diagnosis, drug delivery, online health mall, offline appointment, etc. in 2019;
3. the Company formed a joint venture with Softbank Group in Japan with the plan to launch its services in Japan through online healthcare service platform (beta version) including but not limited to online consultation, hospital recommendation, health mall, counseling, and corporate health management, etc. in 2019.

## Directors' Report

### 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 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 hand. 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.

### 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 the PRC laws.

## Directors' Report

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.

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;

## Directors' Report

- (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 re-entered into 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 2019, the independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that:

- (a) the transactions carried out during the year ended 31 December 2019 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) any new contracts entered into, renewed and/or re-entered into between our Group and Ping An Health Cloud during the year ended 31 December 2019 are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole; 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.

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 requirements 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 2019 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 2019 and up to the date of this Annual Report.

## Directors' 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 2019. 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 Executives

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:

Ms. TAN Sin Yin has served as a director of OneConnect Financial Technology Co., Ltd. (whose shares were listed on New York Stock Exchange on 13 December 2019, stock code: OCFT) from October 2017.

Mr. DOU Wenwei has served as a director of OneConnect Financial Technology Co., Ltd. (whose shares were listed on New York Stock Exchange on 13 December 2019, stock code: OCFT) from October 2017.

Save as disclosed above, as of 31 December 2019, there was no change in the information of Directors and chief executives of the Company required to be disclosed pursuant to Rule 13.5B(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 16 April 2020 to 21 April 2020, 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 21 April 2020. All transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Share Registrar, 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 15 April 2020.

By the order of the Board

*Chairman*

**WANG Tao**

11 February 2020

# 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, during the Reporting Period, 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 of the Stock Exchange as the code of conduct regarding Directors' dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have complied with the required standards set out in the Model Code from 1 January 2019 to 31 December 2019.

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.

## Corporate Governance Report

### Board of Directors

#### Board composition

The Board currently comprises ten members as follows:

##### *Executive Director*

Mr. WANG Tao (*Chairman*)

##### *Non-executive Directors*

Ms. TAN Sin Yin

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

##### *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 concurrently holds 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 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 1 January 2019 to 31 December 2019, 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 of the Company, 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 general meeting at which he retires and shall be eligible for re-election at the general meeting.

Pursuant to the Article 16.18 of the Articles of Association of the Company, Mr. WANG Tao, Mr. TANG Yunwei and Mr. GUO Tianyong shall retire by rotation and, being eligible, offer themselves for re-election at the annual general meeting of the Company.

The Memorandum and Articles of Association also provides that all Directors appointed 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.

Pursuant to Article 16.2 of the Articles of Association of the Company, Ms. TAN Sin Yin will be eligible for re-election at the annual general meeting of the Company.

### 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.

## Corporate Governance Report

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 judgment 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 one non-executive Director, namely, Mr. YAO Jason Bo. Mr. TANG Yunwei, being the chairman of the Audit and Risk Management Committee, is appropriately qualified as required.

From 1 January 2019 to 31 December 2019, the Audit and Risk Management Committee has held four 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 reviewed the interim results announcement and interim report of the Group for the six months ended 30 June 2019, the management accounts of the Group for the three months ended 31 March 2019 and the nine months ended 30 September 2019 as well as the risk management and internal control system and the arrangements that allow the employees to raise concerns about the possible misconduct and made suggestions 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.

## Corporate Governance Report

### 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 study the criteria and procedures for selection of Directors and senior management, to make recommendation to the Board on the appointment and reappointment 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.

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 two non-executive Directors, namely Mr. YAO Jason Bo and Ms. CAI Fangfang. Mr. GUO Tianyong is the chairman of the Nomination and Remuneration Committee.

From 1 January 2019 to 31 December 2019, the Nomination and Remuneration Committee held three meetings. Details of the individual attendance records of each member of the committee were set out in the section headed "Board Meetings, General Meetings and Board Committee Meetings". At the meeting, the Nomination and Remuneration Committee reviewed the nomination policy and the revised working rules of the Nomination and Remuneration Committee as well as the matter relating to directors who were subject to retirement and eligible to re-election, approved the remuneration package of senior management of the Company and nominated new candidates for directorship.

According to code provision B.1.5 of the Corporate Governance Code, the remuneration for members of the senior management of the Company for the year ended 31 December 2019 within the following bands is set out below:

	Number of Persons
Nil to RMB1,000,000	0
RMB1,000,001 – RMB2,000,000	1
RMB2,000,001 – RMB3,000,000	0
RMB3,000,001 – RMB4,000,000	1
RMB4,000,001 – RMB5,000,000	1
RMB5,000,001 – RMB10,000,000	3
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 2019 are set out in Notes 8 and 9 to the consolidated financial statements.

## Corporate Governance Report

### 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 Article 16.4 of the Memorandum and Article of Association, a Shareholder can serve a notice to the Company within the lodgment 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 1 January 2019 to 31 December 2019 is set out in the table below:

Name of Directors	Number of Meetings Attended/Number of Meetings Held from 1 January 2019 to 31 December 2019			
	Board Meeting	General Meeting	Audit and Risk Management Committee	Nomination and Remuneration Committee
<b>Executive Director</b>				
Mr. WANG Tao	11/11	2/2	–	–
<b>Non-executive Directors</b>				
Mr. LEE Yuan Siong <sup>(1)</sup>	10/11	0/2	–	–
Ms. TAN Sin Yin <sup>(2)</sup>	0/11	0/2	–	–
Mr. YAO Jason Bo	10/11	0/2	2/4	3/3
Ms. CAI Fangfang	10/11	0/2	–	3/3
Mr. DOU Wenwei	10/11	1/2	–	–
Ms. WANG Wenjun	10/11	1/2	–	–
Mr. LAW Siu Wah Eddie <sup>(3)</sup>	11/11	1/2	4/4	3/3
<b>Independent Non-executive Directors</b>				
Mr. TANG Yunwei	11/11	1/2	4/4	3/3
Mr. GUO Tianyong	11/11	1/2	4/4	3/3
Mr. LIU Xin	11/11	1/2	4/4	3/3
Dr. CHOW Wing Kin Anthony	11/11	1/2	–	3/3

For the year ended 31 December 2019, the Board has held eleven meetings, and the chairman has held a meeting with the independent non-executive Directors.

Notes:

- (1) Mr. LEE Yuan Siong resigned as a non-executive Director of the Company on 29 November 2019.
- (2) Ms. TAN Sin Yin was appointed as a non-executive Director of the Company on 29 November 2019.
- (3) Mr. LAW Siu Wah Eddie resigned as a non-executive Director, a member of the Audit and Risk Management Committee of the Board and a member of the Nomination and Remuneration Committee of the Board on 30 December 2019.

### 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.

## Corporate Governance Report

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 the 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 training at the Company's expenses.

During the Reporting Period, the Company has 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 <sup>(1)</sup>
<b>Executive Director</b>	
Mr. WANG Tao	Yes
<b>Non-executive Directors</b>	
Mr. LEE Yuan Siong <sup>(2)</sup>	Yes
Ms. TAN Sin Yin <sup>(3)</sup>	Yes
Mr. YAO Jason Bo	Yes
Ms. CAI Fangfang	Yes
Mr. DOU Wenwei	Yes
Ms. WANG Wenjun	Yes
Mr. LAW Siu Wah Eddie <sup>(4)</sup>	Yes
<b>Independent Non-executive Directors</b>	
Mr. TANG Yunwei	Yes
Mr. GUO Tianyong	Yes
Mr. LIU Xin	Yes
Dr. CHOW Wing Kin Anthony	Yes

Notes:

- (1) 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.
- (2) Mr. LEE Yuan Siong resigned as a non-executive Director of the Company on 29 November 2019.
- (3) Ms. TAN Sin Yin was appointed as a non-executive Director of the Company on 29 November 2019.
- (4) Mr. LAW Siu Wah Eddie resigned as a non-executive Director, a member of the Audit and Risk Management Committee of the Board and a member of the Nomination and Remuneration Committee of the Board on 30 December 2019.

## Corporate Governance Report

### 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 1 January 2019 to 31 December 2019.

### 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 2019.

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 142 to 147 of this Annual Report.

### Risk Management and Internal Control

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. An adequate and effective risk management and internal control system is an important guarantee to achieve the strategic goals of the Company.

The Board confirms its responsibility for ensuring that the Company establishes and maintains a fully effective risk management and internal control system. The Board is responsible for overseeing the risks exposure to the Company, determining the nature and level of risk that the Company is willing to take to achieve its development goals and implement its relevant strategies, and actively analyzing and developing strategies to manage the key risks exposure to the Company.

To ensure that the risk management and internal control system is effective, the Company, under the supervision and guidance of the Board and taking into account the actual needs of the Company, has adopted the "Three Lines of Defence" internal monitoring model, which consists of operation and management performed by the business department, risk management performed by the internal control department as well as independent audit and anti-fraud investigation performed by the internal audit department, as its organizational structure for risk management and internal control.

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.

## Corporate Governance Report

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 an independent evaluation of the 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.

These systems 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 Board and our management have always attached importance to the construction of the risk management and internal control system. In 2019, with the continuous improvement in risk management awareness of the employees and the optimization in risk management and internal audit functions, we have continued to actively support healthy business development.

### 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.

The Company has established a risk management system, adopted a "Three Lines of Defence" internal monitoring model and defined the respective responsibilities of each party, and formulated the relevant policies and procedures for risk management. The Company regularly identified and evaluated risk factors that may affect the achievement of goals, formulated corresponding risk response measures, and received relevant training on risk management and internal control.

The Company has established a dynamic risk management process, including risk identification, risk assessment, risk monitoring, risk response, risk supervision and improvement as well as risk reporting, to identify and evaluate the major risks of the Company.

The Company has always attached importance to effective risk management, and actively implemented the internal management and external supervision requirements. In 2019, the management identified eight major risks through the above-mentioned risk management processes. In 2019, a major risk, reputation risk was reduced and procurement management risk was added as compared with last year. With the continuous growth of business scale and scope as well as the changing external operating environment, the management believes that the other seven major risks disclosed in 2018 still exist and the risks remain stable.

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.

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.

## Corporate Governance Report

### Policy and Regulatory 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 the 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 advices on the latest regulatory requirements and conduct compliance reviews on the compliance of existing regulations.

### Procurement Management Risk

With the continuous expansion of the Company's business scope and scale, the procurement relating to external products and services has gradually increased. If the Company fails to improve the procurement control process and effectively respond to procurement risk, it may cause huge challenges to the purchase price and product quality management, and seriously affect the quality level of its products and services, thus restricting the healthy business development of the Company.

The Company attaches great importance to procurement management risks, and has established a professional procurement management team responsible for overall management of the procurement operations of the Company, and solidified and standardized the processes through the procurement system. In response to procurement risk, the Company has established a procurement quality control team to strengthen the control of the upstream, midstream and downstream procurement, and continued to monitor through a risk control model to improve the identification and response of procurement risk.

### 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 of the Company, we have also maintained insurance against medical liability risk associated with the relevant business.

### Market 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 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.

## Corporate Governance Report

### 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.

### Information Security Risk

The Company generates, processes and stores a large amount of personal and transaction sensitive data, and recognizes 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.

### 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.

### 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.

## Corporate Governance Report

### 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 segments of the Company's internal control system include delineating the management responsibilities of each party in key business segments, 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 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 internal audit department assists the management in compiling the self-assessment questionnaire, guides the management of relevant departments in carrying out self-assessment, and collects and summarizes 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 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, and carried out the review at least once during the Reporting Period. The review processes include but are not limited to holding meetings with each of the business and functional management teams, internal audit department, legal staff and external auditors, reviewing relevant work reports and key performance indicator information, and discussing major risks with the senior management of the Company.

For the year ended 31 December 2019, the Board considers that the risk management and internal control system of the Company was effective and sufficient.

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.

## Corporate Governance Report

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 2019:

Services provided to the Company	Fees paid and payables (RMB'000)
Audit services	6,500.0
Non-audit services	117.9
<b>Total</b>	<b>6,617.9</b>

### 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 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 2019, 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.

## Corporate Governance Report

### 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, specifying the agenda 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 fulfilled its obligation of information disclosure in strict compliance with regulatory requirements to timely and fairly disclosed all its information, and ensured that all Shareholders, domestic and foreign institutions and individual investors have equal access to company information.

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

During the Reporting Period, the Company adhered to the principles of compliance, objectiveness, interaction, fairness and efficiency in providing services proactively and passionately to institutional and individual investors domestically and overseas, 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 2019, the Company provided illustrations of its results by means of interim results presentation, domestic and overseas non-deal 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 small and medium-sized investors, and 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.pagd.net](http://www.pagd.net) and a public email of [IR\\_PAGoodDoctor@pingan.com.cn](mailto: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 2019, the Company organized 60 telephone conferences domestically and abroad, received 541 visits of investors/analysts domestically and overseas, attended approximately 16 investment conferences organized by domestic and foreign investment banks and stockbrokers, organized 11 domestic and overseas roadshows, 1 large investor day as well as 2 on-site results presentations. 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 Company adopted the Amended and Restated Memorandum and Articles of Association of the Company on 19 April 2018, effective from the Listing Date. During the Reporting Period, there was no change to the Amended and Restated Memorandum and Articles of Association of the Company.

# Environmental, Social and Governance Report

## I. About This Report

### 1. 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 second 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 2019, 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.

### 2. Reporting Scope

This Report mainly covers the period from 1 January 2019 to 31 December 2019 (hereinafter referred to as the “Reporting Period” or the “Year”). This Report mainly covers the Company’s principal businesses, including online healthcare business, consumer healthcare business, health mall business, and health management and interaction business. For details of the Company’s businesses, please refer to 2019 annual report of the Company.

### 3. 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 Stock Exchange of Hong Kong Limited (hereinafter referred to as the “HKEX” or the “Hong Kong Stock Exchange”) and with reference to the United Nations Sustainable Development Goals (SDGs). The SDGs referred to by the content of each chapter and section of this Report are as listed, and the ESG Reporting Guide content index is provided towards the end, for quick reference by readers.

### 4. 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.

### 5. Assurance for This Report

The content disclosed in this Report has been considered and approved by the Board of Directors of Ping An Good Doctor. The Board is committed to supervising the content of this Report without false representation, misleading statement or material omission.

# Environmental, Social and Governance Report

## II. 2019 Sustainable Development Performance

During the Reporting Period, we greatly advanced the Company's progress on sustainable development by proactively innovating the model for medical services and promoting equal and general preferential medical services. We actively took part in promoting health in less developed areas, and made use of our strengthened online medical care to fight against new coronavirus pneumonia as part of our efforts in fulfilling social responsibility. Clients' needs were attended and we spared no efforts to enhance clients' experience and satisfaction. Upholding the people-oriented approach, we cared about our staff development and strived to become a trustable employer of each and every staff member.

### 1. Inclusive Healthcare

- 315 million registered users with Ping An Good Doctor
- Daily average number of consultations for medical services throughout the year: 0.729 million
- AI-based medical system covering diagnosis data of 3,000 diseases
- AI-based medical system aggregate number of enquiries: over 670 million
- 100,000 partnering pharmacies
- Over 48,000 partnering clinics

### 2. Charity in the Community

- Over 900 rural clinics upgraded under "Village Doctor Program"
- Over 11,000 village doctors trained
- Over 63,000 people covered by free medical consultations
- Joined hands with over 50 government authorities, media bodies and enterprises to provide free medical consultations to combat against new coronavirus pneumonia
- Donated 450,000 face masks to various hospitals and related medical clinics in Wuhan

### 3. Client Experience

- Satisfactory rate for medical enquiry services at 98%
- 3.219 million counts of services offered by customer service team
- Complaint resolution rate at 100%

### 4. Staff Development

- Some 2,900 individuals offered with employment
- Proportion of female staff at 59%
- 1,217 sessions of offline staff training
- Average training received by each ordinary staff member at 82.6 hours
- Aggregate counts of medical team members trained at 28,104, achieving 100% coverage

# Environmental, Social and Governance Report

## III. Sustainable Development Management

Ping An Good Doctor firmly believes in the close relationship between sustainable development strategy and future development of the Company. The sustainable development management, sustainable development report compilation and information disclosure of Ping An Good Doctor shall be coordinated, led and in charge of by the Board. During daily operation of corporate businesses and when making decisions, the Company takes into consideration relevant factors of sustainable development. Regular meetings are held by the Board and the management to review the work results related to sustainable development. The responsibilities held by each level and department of the Company in terms of sustainable development are clearly stipulated, with a view to supervising each department on the implementation of the related work. We engage employees through promotion and other manners, so as to realize the overall planning and management of sustainable development of the Company from top to bottom.

As the world's leading healthcare ecosystem platform, Ping An Good Doctor first created the service model of "Internet + AI + Own medical team of 1,000 professionals" in the industry, which has significantly reduced the threshold for medical treatment. By doing so, medical resources can be better utilized and allocated, relieving the pressure on the healthcare system. As our 4+1 strategy of cloud-based hospitals, pharmacies, clinics and village doctors along with internationalization progresses, we have facilitated the government and hospitals by shouldering their burden and indirectly improving their efficiency. Moreover, pharmacies are now enabled to create their new retail trend. We are dedicated to enhancing the overall diagnosis and treatment standard for grassroots and shouldering our part of social and public welfare responsibility. By implementing the "Village Doctor Program", we have also worked with the government to improve the ability and quality of rural medical services. Upholding our mission of "promoting healthy living empowered by technology", Ping An Good Doctor is moving forward with the goal of truly benefiting the people, thereby actively contributing to the national strategy of "Healthy China".

Mission	Vision	Values
<ul style="list-style-type: none"> <li>• To build the largest healthcare ecosystem in the world</li> <li>• To promote healthy living empowered by technology</li> </ul>	<ul style="list-style-type: none"> <li>• To provide a family doctor for every family</li> <li>• To set up an e-health profile for every person</li> <li>• To develop a health management plan for everyone</li> </ul>	<ul style="list-style-type: none"> <li>• Customer first</li> <li>• Teamwork</li> <li>• Focus on execution</li> <li>• Passion</li> <li>• Good deeds</li> </ul>

# Environmental, Social and Governance Report

## IV. 2019 Awards and Recognitions

Awards	Date	Awarding Institution
Star of Analysys 2019 (2019易觀之星)	October 2019	Analysys
Health Service Platform of the Year 2019 (2019中國常春獎－年度健康服務平台)	October 2019	Jiemian
The 70th Anniversary of the Founding of the People's Republic of China – Health Industry Outstanding Figure Award (新中國成立70周年大健康產業傑出人物獎) (Awardee: Mr. Wang Tao, Chairman and CEO of Ping An Good Doctor)	October 2019	China Business Journal
China's Best Technology Listed Company with Growth Potential (科技中概股最具成長性上市公司)	November 2019	National Business Daily
Top 300 China Internet Companies 2019 (2019中國互聯網300強), ranked 44th	November 2019	China Internet Weekly
WISE 2019 King of New Economy – King of Internet Healthcare (WISE 2019新經濟之王－互聯網醫療之王)	November 2019	36Kr
Listed Enterprises of the Year 2019	November 2019	Bloomberg Businessweek
Reputation Excellence Award 2019 (2019聲譽優秀獎)	December 2019	Nandu Media
"Golden Fortune Management" for Annual Enterprise Social Responsibility Award in 2019 (2019 "金理財" 年度企業社會責任獎)	December 2019	Shanghai Securities News
China's Pioneer for Business Model for the 21st Century (21世紀中國最佳商業模式先鋒人物) (Awardee: Mr. Wang Tao, Chairman and CEO of Ping An Good Doctor)	December 2019	21st Century Business Review
Internet Healthcare Company of the Year 2019 (2019年度互聯網醫療公司)	December 2019	ChinaTimes
Top Ten Charismatic Characters 2019 (2019十大魅力人物) (Awardee: Mr. Wang Tao, Chairman and CEO of Ping An Good Doctor)	December 2019	Southern People Weekly
Golden Horse Award 2019: Pioneer for Social Responsibility and Public Welfare (2019金駿馬最具社會責任公益先鋒)	December 2019	Securities Daily
Best Internet Medical Services Award (互聯網醫療最佳表現獎)	December 2019	Hurun Report
Top Ten Figures of New Economy 2019 (2019封面十大新經濟人物) (Awardee: Mr. Wang Tao, Chairman and CEO of Ping An Good Doctor)	December 2019	Cover News
Cover Technology List 2019 – Internet New Healthcare Quality Annual Award (2019封面科技榜·互聯網新醫療年度品質獎)	January 2020	Cover News
Best Hong Kong Stock Connect Company 2019 (2019金港股最佳港股通公司)	January 2020	Zhitongcaijing (智通財經)
Best Healthcare Ecosystem Platform 2019 - East Asia (2019東亞地區最佳醫療健康生態平台)	January 2020	APAC Insider

# Environmental, Social and Governance Report

## V. Stakeholders Engagement and Materiality Assessment

### 1. Communication Mechanism for Stakeholders

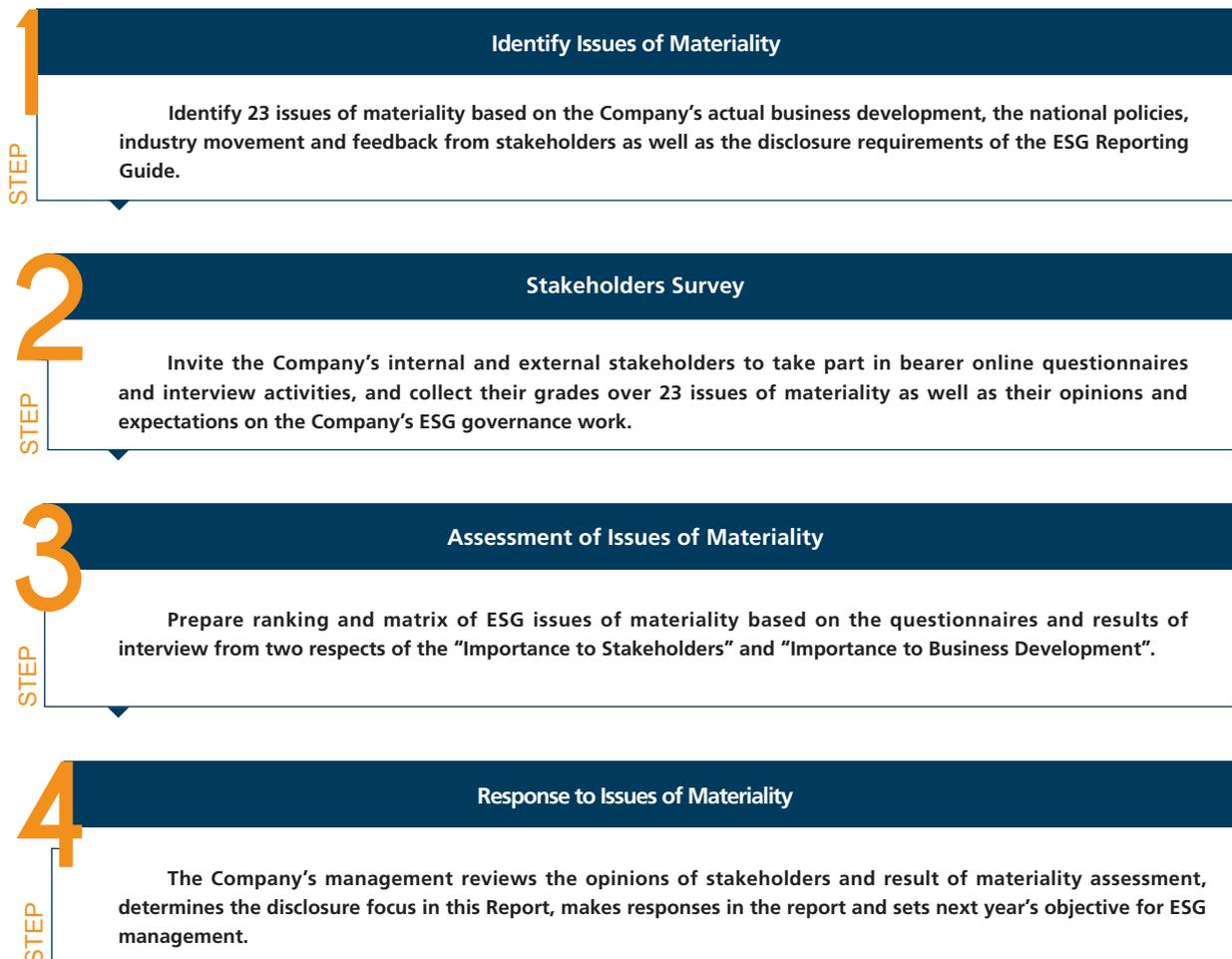
Ping An Good Doctor is fully aware of the importance of communication and exchange with our stakeholders. A standing communication mechanism has been established with a view to taking proactive measures in response to suggestions and appeals of stakeholders. We optimize the strategy of the Company's sustainable development largely based on feedbacks from stakeholders, as we advance the implementation and realization of its sustainable development. With respect to investors' communication, in 2019, on top of 60 domestic and overseas teleconferences organized and 541 study groups of local and foreign investors/analysts received, we also participated in about 16 investment conferences organized by local and foreign investment banks and stockbrokers, organized 11 domestic and overseas roadshows as well as a large-scale investor day, all of which strengthened our interaction and exchange with stakeholders.

Stakeholders	Expectations and Appeals	Responding Measures for Communication
<b>Investors and Shareholders</b>	Sustainable profitability Standardized corporate governance Guarantee of rights and interests	Generate long-term revenue Improve internal control system Disclose information regularly Convene general meetings
<b>Users and Consumers</b>	Product health and safety Service quality Privacy and information security Business Integrity	Improve quality control system Conduct customer satisfaction survey and handle complaints Enhance risk control Strengthen legal advocacy
<b>Employees</b>	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
<b>Suppliers and Partners</b>	Openness and fairness Win-win cooperation Mutual development	Standardize procurement procedures Improve communication mechanism Establish long-term management model
<b>Government and Regulatory Institutions</b>	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
<b>Community</b>	Facilitation to community development Protection of community environment	Conduct public welfare projects Implement green operation
<b>Industry Association</b>	Industry experience exchange Promoting industry advancement	Participate in industry forum Improve research and development capability

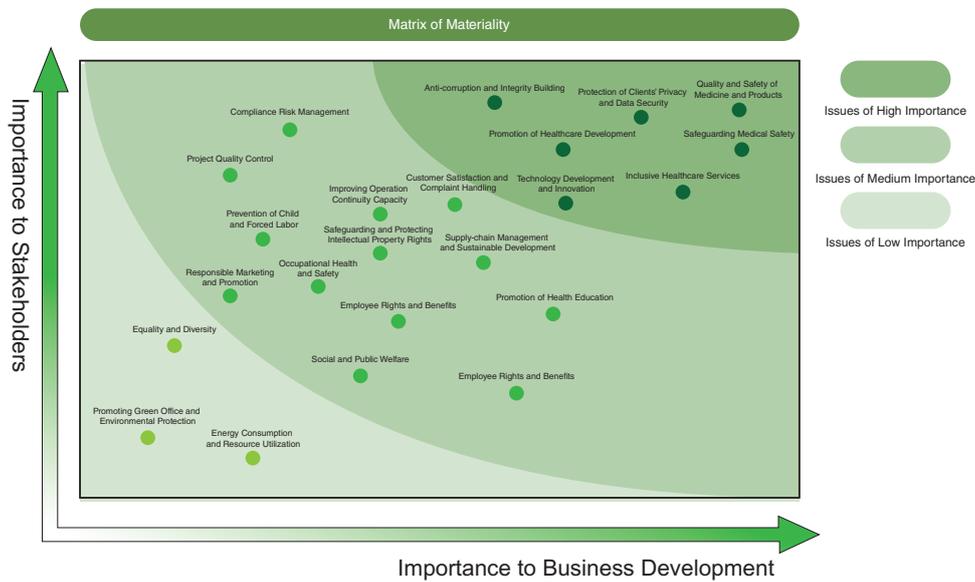
## V. Stakeholders Engagement and Materiality Assessment

### 2. 2019 Materiality Assessment

The Company engaged an external professional advisor to conduct ESG materiality assessment for the year. ESG issues of each of the six major aspects, namely environment, employment and labor practices, supply chain management, product responsibility, anti-corruption and community contribution, were identified and assessed by industry focus tracking and national policy analysis combined with the Company's actual businesses. The assessment results form the basis for the preparation of this year's Report. The steps for materiality assessment for the year are as follows:



## V. Stakeholders Engagement and Materiality Assessment



Product Responsibility	Employment and Labor Practices	Social Contribution
Promotion of Healthcare Development Inclusive Healthcare Services Quality and Safety of Medicine and Products Safeguarding Medical Safety Protection of Clients' Privacy and Data Security Technology Development and Innovation Customer Satisfaction and Complaint Handling Compliance Risk Management Improving Operation Continuity Capacity Safeguarding and Protecting Intellectual Property Rights Project Quality Control Responsible Marketing and Promotion	Prevention of Child and Forced Labor Occupational Health and Safety Employee Training and Development Employee Rights and Benefits Equality and Diversity	Promotion of Health Education Contributions to Social and Public Welfare
Anti-corruption	Supply-chain Management	Environment
Anti-corruption and Integrity Building	Supply-chain Management and Sustainable Development	Energy Consumption and Resource Utilization Promoting Green Office and Environmental Protection

## V. Stakeholders Engagement and Materiality Assessment

ESG issues that most concerned our stakeholders for the year are shown in the materiality matrix as the highly important issues. We attach great importance to feedbacks of our stakeholders, and will make highlight disclosures on those highly important issues in the following sections in response to their appeals. In future, we will continue make reference to feedbacks of our stakeholders when deciding on the direction for the Company's sustainable development. Our goal is to optimize the relevant internal mechanism and system construction, so that our efforts in ESG can be constantly improved and enhanced.

### Promotion of Healthcare Development

During the year, we actively participated in industry technology exchanges and promoted industry cooperation. We also established the first domestic standard on the difficulty of intelligent Chinese speech recognition to promote the sustainable and healthy development and mutual progress of the healthcare industry, and create a harmonious industry ecosystem.

### Inclusive Healthcare Services

We actively innovate medical service models, strive to provide equal, inclusive and accessible medical services to the general public, and launch innovative products such as "Private Doctor", "Step-for-Reward", and "Slim Perfect" to comprehensively improve consumers' consumption experience in the purchase of healthcare goods and medical services.

### Technology Development and Innovation

We make active explorations in the research and development of core AI technologies, and by continuously optimizing the AI-based medical system, build a new knowledge reasoning engine, improve the efficiency of utilizing medical resources and conscientiously reduce the burden on hospitals and the society.

### Quality and Safety of Medicine and Products

We adopt a strict quality control system for self-operated pharmacy warehouses and partnering suppliers of the health mall to ensure that all drugs and self-operated products we provide comply with the relevant laws and regulations and quality standards such as the "Pharmaceutical Administration Law of the People's Republic of China".

### Safeguarding Medical Safety

We have formulated internal systems such as the "Online Diagnosis and Treatment Management System" and the "Measures for the Management of Online Electronic Prescriptions" to regulate and supervise the medical services provided by our own medical team, external cooperative doctors, and offline health and medical partnering institutions to ensure the health and safety of users.

### Protection of Clients' Privacy and Data Security

We have established a sound information security management system, sorted out the internal staff's right to use customer information, strengthened the monitoring of user information usage behavior within the Company, and protected customer data from being leaked.

### Anti-corruption and Integrity Building

We have established a clear and independent audit and monitoring system, and established a mechanism behind the Triple Anti-Exercise of "Anti-Embezzlement, Anti-Money Laundering and Anti-Fraud", and are committed to improving the relevance and effectiveness of the Company's anti-corruption and integrity building work.

# Environmental, Social and Governance Report

## VI. Compliant Operation Of Listed Company

### *ESG issues addressed in this section:*

- Anti-corruption and integrity building
- Compliant risk management
- Enhancing the ability of sustainable operations
- Responsible marketing and promotion

### *SDGs addressed in this section:*



Ping An Good Doctor actively takes operation responsibility. General meetings and board meetings are convened and investors' open day is held regularly each year. The Company endeavors to improve and implement corporate governance and integrity building related systems. Through establishing an internal control department and legal compliance team to regulate related business procedures, the Company ensures that each department performs its duties, maintains its compliance with laws and regulations from multiple perspectives as well as enhances the enterprise's ability of sustainable operations.

### **1. Compliant Operation**

Ping An Good Doctor attaches great importance to and is in strict compliance with the laws and regulations including the Company Law of the People's Republic of China, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Pharmaceutical Administration Law of the People's Republic of China in areas of corporate governance, internet healthcare, drug regulation and e-commerce. The Company has a planning department to closely monitor the promulgation and implementation of policies in relation to the business of the Company and to look into and learn the contents of policies in a timely manner to ensure the Company's operations are regulated with a view to enhancing its own level of corporate governance.

## VI. Compliant Operation Of Listed Company

We liaise with the provincial internet healthcare service regulatory platforms in accordance with relevant laws and regulations and set up internet hospitals by leveraging on the cooperation with physical medical institutions. Relevant licenses have been obtained as required. We timely monitor and maintain the Company's qualifications and licenses to ensure their validity. As of the end of 2019, we have obtained the following licenses, approvals 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	Drug Trading License (藥品經營許可證)
Ping An Health Cloud Company Limited	Certification for Good Supply Practices (藥品經營質量管理規範認證證書)
Ping An Health Cloud Company Limited	Food Operation Permit (食品經營許可證)
Ping An Health Cloud Company Limited	Registration Certificate for Online Transaction Service Third-Party Platform of Medical Devices (醫療器械網絡交易服務第三方平台備案憑證)
Ping An Health Cloud Company Limited	Permit for Production and Operation of Radio and Television Programs (廣播電視節目製作經營許可證)
Ping An Health Cloud Company Limited (Shanghai Branch)	Food Operation Permit (食品經營許可證)
Ping An Health Cloud Company Limited (Quzhou Branch)	Food Operation Permit (食品經營許可證)
Ping An Health Cloud Company Limited (Shanghai Second 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)
Yinchuan Pingan Internet Hospital Company Limited	Practicing License for Medical Institutions (醫療機構執業許可證)

## VI. Compliant Operation Of Listed Company

Entity	License/Approval/Permit
Jiangxi Pingan Good Doctor Pharmacy Company Limited	ICP License (增值電信業務經營許可證)
Jiangxi Pingan Good Doctor Pharmacy Company Limited	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	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	Drug Trading License (藥品經營許可證)
Jiangxi Pingan Good Doctor Pharmacy Company Limited	Certification for Good Supply Practices (藥品經營質量管理規範認證證書)
Jiangxi Pingan Good Doctor Pharmacy Company Limited	Food Operation Permit (食品經營許可證)
Jiangxi Pingan Good Doctor Pharmacy Company Limited	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	Drug Trading License (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)
Jiangsu Zhongyikang Pharmaceutical Company Limited	Drug Trading License (藥品經營許可證)
Jiangsu Zhongyikang Pharmaceutical Company Limited	Registration Certificate for Class II Medical Devices Operation (第二類醫療器械經營備案憑證)
Jiangsu Zhongyikang Pharmaceutical Company Limited	Food Operation Permit (食品經營許可證)
Jiangsu Zhongyikang Pharmaceutical Company Limited	Certification for Good Supply Practices (藥品經營質量管理規範認證證書)
Jiangsu Zhongyikang Pharmaceutical Company Limited	Permit for Medical Devices Operation (醫療器械經營許可證)

## VI. Compliant Operation Of Listed Company

Entity	License/Approval/Permit
Shanghai Pingan Health Culture Communication Company Limited	Permit for Commercial Performance (營業性演出許可證)
Ping An Wanjia Healthcare Investment Management Co., Ltd.	Permit for Medical Devices Operation (醫療器械經營許可證)
Ping An Wanjia Healthcare Investment Management Co., Ltd.	Registration Certificate for Class II Medical Devices Operation (第二類醫療器械經營備案憑證)
Ping An Wanjia Healthcare Investment Management Co., Ltd.	Qualification Certificate for Providing Internet Pharmaceutical Information Service (互聯網藥品信息服務資格證書)
Shenzhen Anan Outpatient Service Department	Practicing License for Medical Institutions (醫療機構執業許可證)
Siming Wanjia Enjoyment Center Outpatient Service Department	Practicing License for Medical Institutions (醫療機構執業許可證)
Guangdong Yecheng Insurance Agent Company Limited	Permit for Engaging in Insurance Agency Business (經營保險代理業務許可證)
Guangzhou Jifan Biotechnology Company Limited	Qualification Certificate for Providing Internet Pharmaceutical Information Service (互聯網藥品信息服務資格證書)
Guangzhou Jifan Biotechnology Company Limited	Certification for Good Supply Practices (藥品經營質量管理規範認證證書)
Guangzhou Jifan Biotechnology Company Limited	Drug Trading License (藥品經營許可證)
Guangzhou Jifan Biotechnology Company Limited	Registration Certificate for Class II Medical Devices Operation (第二類醫療器械經營備案憑證)
Guangzhou Jifan Biotechnology Company Limited	Food Operation Permit (食品經營許可證)
Shanghai Hao Yi Smart Technology Company Limited	ICP License (增值電信業務經營許可證)

\* This table includes the information of domestic operating entities of Ping An Healthcare and Technology Company Limited

In addition, the Company has formulated internal policies including the Administrative Measures on Compliant Assessment and the Administrative Measures on Systems where the Company's legal compliance team provides legal assessment on major projects to ensure compliant operation of projects. At the same time, the legal compliance team works with other business departments to conduct compliance review in the ordinary course of business of the Company and provides regular compliance training to all employees to raise their awareness on compliant operation.

## VI. Compliant Operation Of Listed Company

### Case Sharing:

#### Targeted Compliance Training

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On 29 May 2019 and 6 June 2019, to uphold the spirit of the Notice Concerning the Issuance of Medical Devices "Internet Clearance" Action Plan of the Office of Guangdong Food and Drug Administration (the "Notice"), the legal compliance team carried out two special compliance trainings for the Company's health mall department, operations department, customer service department and medical devices operators using the Company's platforms at the office of Xu Hui in Shanghai to elaborate on the contents of the Notice for the attendees, state the specific rectification matters and answer the questions raised by the attendees so as to facilitate the compliant operation of medical devices operators using the Company's platforms.

### Case Sharing:

#### "Ping An Good Lawyer" to Facilitate the Intellectualization of Legal Compliance Work

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In 2019, Ping An Good Doctors launched the "Ping An Good Lawyer" smart legal compliance assessment system 2.0 and 3.0. The "Ping An Good Lawyer" system includes two major projects (smart contract management and smart case management) and ten major tools (sample contract push, standard contract generation, smart contract comparison, smart contract assessment, blockchain witness, smart due diligence, smart legal instrument, smart lawyer portrait, online contract and smart contract performance), which covers the management procedures of the full life cycle and allows the intellectualization of low-end, repetitive and procedural contract review work. In 2019, the application of such system made legal compliance related work more accurate and efficient, which greatly reduced the burden of relevant personnel. Looking ahead, the Company will continue to promote the application of the "Ping An Good Lawyer" system to drive the transformation towards smart and efficient legal and compliance work.

## VI. Compliant Operation Of Listed Company

### 2. Risk Management and Internal Control

The Board of Directors of Ping An Good Doctor is responsible for the risk management and internal control of the Company. Senior management are guided by the Company's audit and risk management committee, and the internal control management office continues to carry out risk assessment, management and routine risk management work. The Company has in place rules and regulations such as Comprehensive Risk Management Measures and the Operational Risk and Internal Control Management System which clearly state the duties of each department adhering to the principles of comprehensiveness, effectiveness, consistency, independence and cost-effectiveness, while formulating procedures and measures on risk identification, assessment, detection and management to enhance the risk management and internal control standards of the Company for safeguarding the sustainable and healthy development of the Company.

The Company issues a work summary report on comprehensive risk management on a quarterly basis which summarizes various risk management tasks each quarter, tracks key projects, analyzes the reasons for deficiencies of risk management at current stage and then carries out key planning for upcoming work. In 2019, Ping An Good Doctor conducted risk assessment at the company level, continued to optimize the risk management organizational structure based on the results of risk assessment, and improved the Company's risk management procedures and risk response measures. In addition, we continued to capitalize on the model of smart risk monitoring and regularly scanned and inspected the risk particulars to effectively enhance the risk management standards of the Company.

#### Case Sharing:

##### Risk Management and Internal Control Training

On 17 October 2019, Ping An Good Doctor invited the head of each department to the risk management and internal control training, at which cases of external risks with higher relevance to the business of the Company were introduced to explain and analyze the risks, causes and impacts for the head of each department as well as to elaborate the relationship between risk management and internal control, which greatly raised the awareness and skills of the employees of the Company on risk management and internal control.



Risk management and internal control training

## VI. Compliant Operation Of Listed Company

### 3. Anti-corruption and Integrity Building

Ping An Good Doctor has formulated an internal control system covering the Anti-fraud Management Measures, the Inspection and Verification Charter and the Management System on Petition in strict compliance with relevant laws and regulations of the People’s Republic of China including the Interim Provisions on Banning Commercial Bribery and the Criminal Law of the People’s Republic of China, and set up the anti-embezzlement, anti-money laundering and anti-fraud mechanism in an attempt to enhance relevance and effectiveness of the Company’s anti-corruption and integrity building work.

The Company has a defined and independent audit and supervision system to regulate the duties and behaviors of its personnel at various levels. Once the risk of fraud is identified, the audit and supervision department shall immediately organize an investigation and punish such non-compliance according to the internal control system covering the “Red, Yellow and Blue” Card Punishment System of Ping An Health Cloud and the Implementation Standard for the Handling of Violations of Regulations. In the event of non-compliance, it will be transferred to the judicial authorities for processing in accordance with the law. After investigation, the investigation team will issue an investigation report and make rectification measures to enhance the effectiveness of anti-fraud work.

The Company has established and continued to improve the compliance reporting system, and set up various unified whistle-blowing ways, such as e-mails, letters and visits to ensure smooth channels for whistle-blowing, and rewards those who provide valuable clues. The Company regularly organizes educational and training activities on anti-corruption and integrity building to create a corporate culture of upholding integrity and to remind employees to abide by the laws and disciplines. In 2019, the Company conducted a total of 25 mail campaigns and video trainings on integrity building. Topics covered many high-risk areas include procurement fraud, duty crime, false publicity and information safety to comprehensively raise the awareness of the employees of the Company on integrity and law observance. During the year, no litigation involving corruption, bribery, fraud and money laundering was identified.



Training materials on integrity educational and publicity

## VI. Compliant Operation Of Listed Company

### 4. Compliance Publicity

Ping An Good Doctor has formulated and implemented the internal regulations including the Advertising Standards and the Basic Measures on Advertising Review in strict compliance with the laws and regulations including the Advertising Law of the PRC and the Interim Measures for Administration of Internet Advertising to ensure the truthfulness of promotion contents of advertisements and products in adherence to compliant and responsible market standards.

#### 1) Brand Promotion

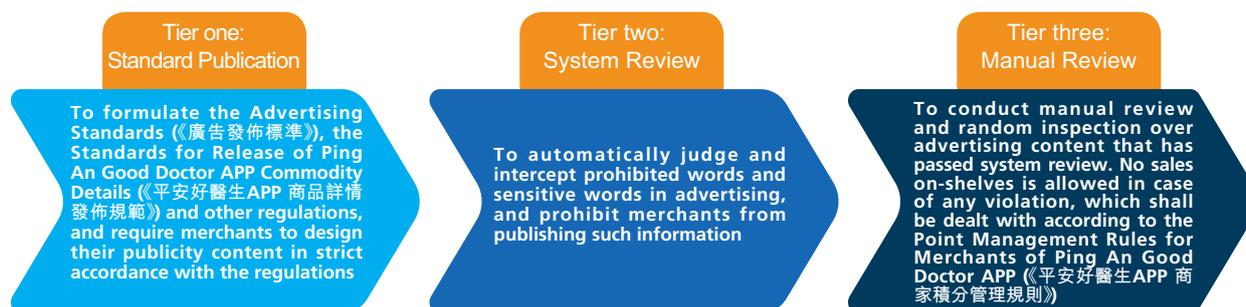
During brand promotion, the Company standardizes the company trademarks, logos and labels in business advertisements, promotion materials, publications and other media bodies. Prior to carrying out any form of publicity, the business teams will need to submit the promotion materials to the Company's market branding department and legal compliance department which will then carry out review pursuant to the Advertising Standards and the Basic Measures on Advertising Review. The publication of politically sensitive, unlawful, non-compliant, pornographic and violent contents is strictly prohibited. The promotion materials shall go through stringent review procedures before external publicity to ensure accuracy and legitimacy of the contents of the Company's external publicity.

#### 2) Marketing Promotion

Ping An Good Doctor has a customer relationship team for sales center to drive the expansion and development of business. The marketing management department regularly organizes online and offline compliance trainings for the customer relationship team and regularly carries out promotion through mail and courseware to regulate the promotion dialogues of the customer relationship team so as to eliminate marketing that is misleading and overstated to customers. The Company has formulated the Basic Administrative Measures on Sales Center Customer Relationship Managers of Ping An Good Doctor (2019 Trial) to regulate the marketing behaviors of the customer relationship team. Any false information provided or misleading marketing made to customers, depending on the level of severity, shall be punished according to the provisions.

#### 3) Health Mall Product Promotion

Ping An Good Doctor engaged vendors to provide the content description of products and services on the health mall platform, and we will review the contents. To ensure that the promotion of merchants is in compliance with the regulatory requirements, we have adopted the following three-tier system supervision and management process:



# Environmental, Social and Governance Report

## VII. Adhering to Quality Health

*ESG issues addressed in this section:*

- Promotion of healthcare development
- Inclusive healthcare services
- Technology development and innovation
- Quality and safety of medicine and products
- Safeguarding medical safety
- Safeguarding and protecting intellectual property rights
- Project quality control

*SDGs addressed in this section:*



Since its establishment, Ping An Good Doctor has actively seized the policy opportunities and market demands, and created the unique service model of “Internet + AI + Own medical team of 1,000 professionals”. Working with hospitals and offline pharmacies, we provide users with quality services covering online healthcare, consumer healthcare, health mall, health management and interactions to satisfy their comprehensive and customized healthcare demands, maximizing the value of Internet healthcare. Paying close attention to the health of China’s population, Ping An Good Doctor attaches great importance to scientific research and innovation, and endeavors to strengthen management and control on its products and services. We are committed to providing solutions for medical pain points such as scarce and uneven distribution of quality medical resources across the country, the lack of stratified diagnosis and treatment services and unsatisfactory clinical experience of patients, as we strive to build ourselves as the health guardian for the public.

### 1. Technology Innovation and Development

Ping An Good Doctor actively explores the research and development of AI core technology. Through the combination of AI applications and its own healthcare team, it can enhance the utilization of medical resources to alleviate the burden of hospitals and the society as well as to facilitate significant development of the healthcare industry.

#### 1) AI-based Medical System

The AI-based medical system (the “AI-based Medical System”) developed by Ping An Good Doctor’s in-house research and development department precisely diverts users to different departments of doctors according to the description of users and assists doctors to gather medical history, thus greatly enhancing the efficiency and accuracy of online consultation. At the same time, the AI critical illness monitoring system can immediately identify whether the user is likely to suffer from critical illness and timely notify the user of offline medical treatment.

In 2019, we continued to improve the AI-based Medical System, built a new inference engine and rationalized the structure of our knowledge in Chinese medicine. Making use of the abundant online enquiry database, we endeavor to optimize the technology of natural language processing so that the AI-based Medical System can accurately identify the meaning of the oral expressions of users. We continue to enhance our image identification capability to more accurately identify and diagnose the images taken by users. We have also upgraded the supercomputing platform so as to accommodate more complex algorithm models and cope with higher concurrent flow. As of the end of 2019, the application of our AI-based Medical System covered all departments of Ping An Good Doctor’s own medical team and more than 150 offline hospitals, containing 3,000 disease diagnosis data and more than 670 million users cumulatively made enquiries through this system.

## VII. Adhering to Quality Health

In addition, we made technological breakthrough in areas including context analysis, natural language processing and predictive analysis. We joined hands with Unisound, a topnotch intelligent voice recognition technology company in China to draft the Certification Standards for Chinese Voice Recognition Difficulty Classifications for discussion and establish the first set of standard specifications in China regarding smart Chinese voice recognition difficulty, thus providing rated basis for the recognition rate of smart voice interactive products under physical application scenarios.

### 2) One-minute Clinic

“One-minute” clinic is the first commercial “unmanned clinic” in China developed by Ping An Good Doctor’s in-house research and development department, comprising two major function modules namely standalone consultation room and smart medicine cabinet, embedded with a number of AI technological applications to provide users with self-medical and healthcare services including consultation and enquiry, rehabilitation guidance, prescription advice and paid drug purchase. Through voice conversation between the cloud doctors and users, coupled with the data uploaded through the online devices, Ping An Good Doctor’s own medical team in the back office and the AI-based Medical System can provide users with a preliminary diagnosis and an electronic prescription with an electronic signature within a short timeframe. The smart medicine cabinet of “One-minute Clinic” offers hundreds of common drugs to users which are chilled under low temperature to ensure quality of the drugs. After diagnosis, users can directly make payment for drug purchase. For drugs that are not displayed in the smart medicine cabinet, users can also purchase online through Ping An Good Doctor’s online platform and receive it using the “flash drug delivery” service of the partnering pharmacies nearby, thus achieving one-stop diagnosis process from “AI diagnosis, online consultation to payment for drug purchase”.

Currently, the online consultation and enquiry service of “One-minute Clinic” covers diagnosis data of 3,000 common diseases and enables instant answer to tens of thousands of medical and healthcare questions with world-leading accuracy. As of the end of 2019, “One-minute Clinic” has covered 52 cities in 28 provinces nationwide, providing medical and healthcare services to more than 3 million users, which effectively filled the regional gap of primary medical care resources.



“One-minute Clinic”

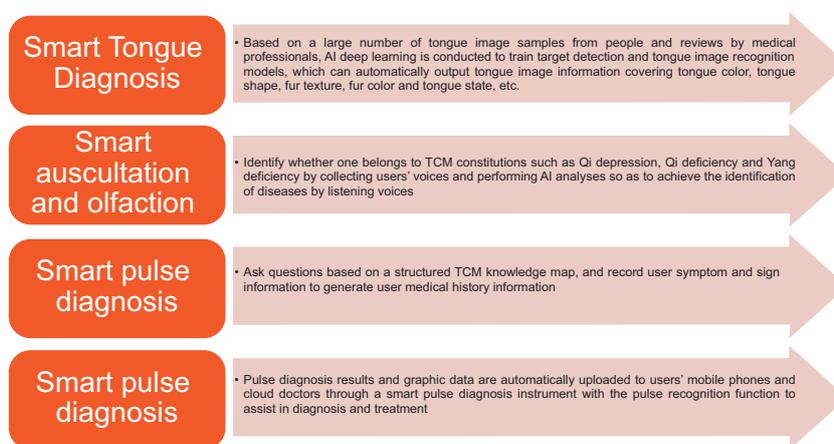
## VII. Adhering to Quality Health

### 3) Modern Hua Tuo Program

Closely following the development strategy in the Guiding Opinions of the State Administration of Traditional Chinese Medicine on the Integrated Development of Traditional Chinese Medicine Health Services and the Internet, Ping An Good Doctor has launched the Modern Hua Tuo Program to promote the integration of TCM and Internet technology, empowering the TCM industry using AI.

Under the program, 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”, can simulate the inquiry by TCM practitioners prior to diagnosis, collect information of the medical history in terms of the four ways of TCM diagnosis, generate a structured medical history that conforms to the case specifications through comprehensive analysis and inferential diagnosis, transmit the analysis results of the four ways of TCM diagnosis to the doctor platform, and intelligently recommend TCM prescriptions for doctors to choose, thus effectively improving the patient’s medical experience. The Modern Hua Tuo Program has realized the standardization and dataization of the four ways of TCM diagnostic procedures, which enables the tackling of AI diagnosis and treatment from the treatment and prevention perspectives, providing diversified services to different age and user groups.

In 2019, Ping An Good Doctor achieved a substantial expansion of the supercomputing platform, which is capable of processing massive data in a short time, thus improving the efficiency and accuracy of processing medical images and other information. Take smart TCM diagnosis through tongue observation for example. It can analyze images of the user’s tongue in a more efficient and accurate manner to obtain information such as tongue color and tongue coat condition, which explains that TCM doctors at the back-end will obtain more accurate diagnosis results.



Modern Hua Tuo Program

## VII. Adhering to Quality Health

### 4) Active Participation in Industry Exchanges

During the year, Ping An Good Doctor actively participated in industrial technology exchanges and fostered cooperation in the industry to promote the sustained and healthy development of the medical and healthcare industry, making progress together and creating a harmonious industry ecosystem.

Case Sharing:

#### Third Future Investment Initiative in Saudi Arabia

On 29 October 2019, Ping An Good Doctor was the only Chinese healthcare company invited to participate in the Third Future Investment Initiative held in Riyadh, Saudi Arabia, to discuss the development of digital health and the outlook of medical and health investments with global participants. As a Chinese enterprise that has made breakthrough achievements in the Internet medical sector, Ping An Good Doctor made a stunning appearance at the scene with its important AI medical achievement "One-minute Clinic", which attracted many visitors to stop by for an experience.



Ping An Good Doctor participated in the Third Future Investment Initiative in Saudi Arabia

Case Sharing:

#### Third World Artificial Intelligence Conference

On 29 August 2019, the highly-anticipated World Artificial Intelligence Conference kicked off at the Shanghai World Expo Exhibition and Convention Center. With the theme of "Intelligent Connectivity, Infinite Possibilities", the conference explored the technological frontiers, industry trends and hot issues in the field of intelligence. Ping An Good Doctor, being a corporate representative in the field of deep integration of AI and healthcare, was invited to attend. Ping An Good Doctor brought its strategic products "Private Doctor" and "One-minute Clinic", Internet Hospital, "Pharmacy Cloud", pulse-taking diagnostic apparatuses and various wearable smart devices to the conference, bringing a great AI + medical "feast" to the conference and winning many praises from the participants.



World Artificial Intelligence Conference

## VII. Adhering to Quality Health

### 2. Quality Management and Control Mechanism

Adhering to the concept of providing clients with high-quality products and services, Ping An Good Doctor continuously improves its quality management and control system to strictly control all business processes in the daily operation, ensuring the quality and safety of its products and services.

#### 1) Medical Service Quality Management and Control

Strictly abiding by the laws and regulations of the People's Republic of China including the Regulations for the Management of Telemedicine Services (for Trial Implementation), the Administrative Measures for Internet-based Consultations (for Trial Implementation), and the Provisional Regulations on the Review and Approval of Internet Pharmaceutical Trades and Services, we have formulated and implemented the Online Diagnosis and Treatment Specifications, the Online Diagnosis and Treatment Management System, and the Measures for the Management of Online Electronic Prescriptions and other internal policies to ensure strict control over the process and quality of our medical services. We have passed the BSI (British Standards Institute) quality review and Qingdao Internet Hospital has obtained the ISO9001 quality management system certification. During the year, we did not experience any major medical negligence or medical incidents.

##### i. In-house medical service quality control

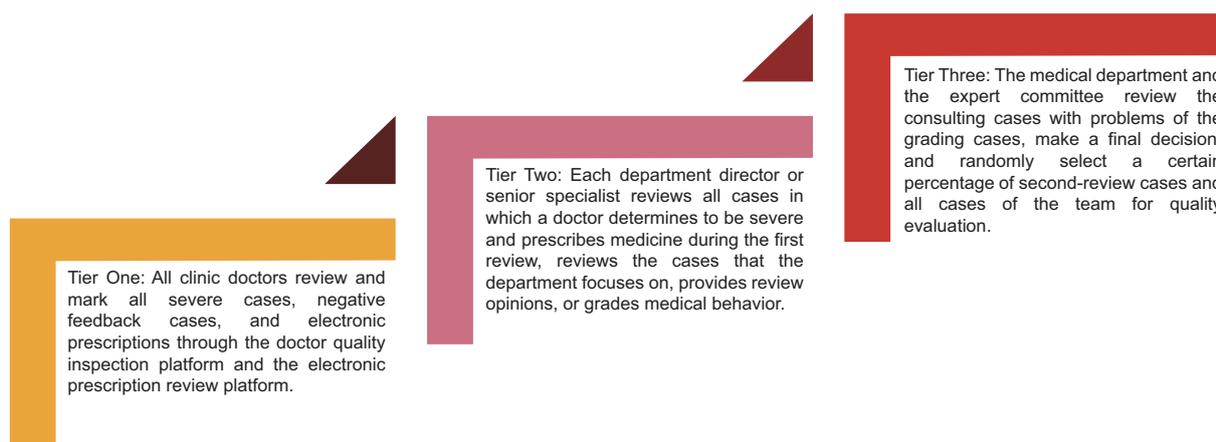
- *In-house medical team management*

We have set up a medical team which, combining with the AI-based Medical System, provides users with 24/7 online medical consultation services. As of the end of December 2019, there were 1,409 members in our in-house medical team. We have set strict requirements on the members of our medical team. New joiners must possess medical related undergraduate degrees or above, qualification certificate for medical practitioner, practice certificate for medical practitioners, clinical working experience of over three years, as well as a pass for medical practitioner's routine assessment. We have established a performance appraisal system specially for the medical team, under which we randomly check the service quality of the medical team on a daily basis, conduct monthly evaluations and annual performance appraisals based on indicators such as user feedback and a five-star rating system, and implement reward and punishment measures in accordance with the appraisal results, clarifying the responsibilities of the team and promoting the improvement of medical service quality.

## VII. Adhering to Quality Health

- *Three-tiered quality control mechanism*

We have adopted a three-tiered quality control mechanism for our family doctor services performed by our in-house medical team. We have established the medical quality and safety management committee to regularly review the results of quality inspection and continue the optimization plan. Should any specialized quality issues arise, the medical department which is responsible for monitoring and control on medical quality would intervene within 24 hours. We have set up an expert committee to oversee the three-tiered quality control system. As of 31 December 2019, our expert committee comprised 23 licensed doctors who are highly regarded authorities in their respective fields.



- *Critical illness review mechanism*

To ensure medical safety and reduce medical risk, we have developed a quality inspection platform for real-time monitoring of critical cases. Screening rules for critical cases are formulated by our team of senior doctors based on years of clinical experience and actual cases of online consultation, alongside the formation of a structured knowledge base and computer algorithms. In the course of online consultation, once information on the user's critical illness is collected, the system will automatically identify the doctor and assistants and notify them of the relevant condition to help them analyze in details and deal with it properly. After online consultation is completed, the case being suspected to be critical illness will automatically enter the quality inspection platform. A team of senior doctors will form a departmental quality inspection expert group to conduct a comprehensive review of the case. If any medical risk is found, the quality inspection expert group will immediately report the case to the Company's medical department. Experts from the medical department will formulate a suitable treatment plan and make a follow-up visit to the user in a timely manner to give professional medical advice and assist the user to seek medical treatment offline.

## VII. Adhering to Quality Health

- *Electronic prescription review mechanism*

We have formulated the Measures for the Management of Online Electronic Prescriptions to standardize the online prescription process. Doctors may only give users drug recommendations and make drug-related instructions and precautions upon detailed consultation and considered judgment. We have established a three-tiered review system for electronic prescriptions. After the prescribing doctor has issued an electronic prescription, the user can only see and pay for the prescription after it has passed the pharmacist’s review. The doctors on duty in each office will review the concluded prescriptions and the department heads in each location will conduct a secondary review of all prescription cases in their respective departments. Finally, a prescription review expert group will provide professional technical advice on the electronic prescriptions and make a final conclusion to ensure that the prescriptions are safe.

- ii. **External doctors and institutional quality control**

- *Quality management for external doctors*

In addition to our in-house medical team, we contract with renowned external doctors to provide users with quality consultation services. We have formulated the Policy on the Management of the Renowned External Doctor Project to strictly supervise and control the medical quality of external doctors. We require external doctors to possess the qualifications as attending physician in a public 3A-grade hospital and provide complete qualification certificates. The Company has a dedicated team to review their information. For the external doctors contracted with us, we have set up a special performance appraisal mechanism to monitor their 10-hour case receiving rate, negative feedback rate, rejection rate and the like and conduct regular analysis. For underperforming doctors, we will give them warning and demand for rectification. For external doctors failing the appraisal or receiving major complaints, we will impose appropriate penalties, such as reducing their fees or terminating their service agreements, according to the actual circumstances. As of the end of December 2019, we had 5,381 contracted external doctors.

- *Quality management mechanism for offline healthcare institution network*

We have established the clinic alliance project to provide users with consumption-based medical services such as physical examination, genetic testing and medical beauty through cooperation with offline healthcare medical institutions so as to meet the healthcare needs of users. We have formulated the Regulations for the Management of Service Quality of the Clinic Alliance (2019 Edition) to carry out strict quality supervision and real-time control on cooperative institutions. We review and evaluate the legal compliance, diagnosis and treatment services, quality management, hardware facilities, personnel management, social influence and other factors of the institution proposed for cooperation according to the standards set in the Clinic Alliance Standard 3.0. For those that have reached a cooperation with us upon review, we conduct monthly assessments in terms of service, medical management, system operation, channel expansion and other dimensions and set corresponding reward and punishment measures, striving to optimize the user experience while establishing long-term stable and good cooperative relationships with offline institutions. 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. As of the end of December 2019, our cooperation network covers the following offline healthcare institutions:



## VII. Adhering to Quality Health

- *Cooperative pharmacy management mechanism*

We cooperate with offline pharmacies so that users can purchase medicines at our cooperative pharmacies offline upon consultation on our online platform, thus forming a closed-loop medical service featuring “seeing doctors online and buying drugs offline”. We require cooperative pharmacies to possess a series of qualification certificates including business license, pharmaceutical trade license and certification for good supply practice for pharmaceutical products, and the cooperative pharmacies must be manned by pharmacist staff who have obtained the Professional Pharmacist Qualification Certificate and have corresponding capacity to review and distribute drugs. Cooperative pharmacies are required to maintain and update drug information on the online platform of Ping An Good Doctor to ensure that the information is authentic, valid, accurate and legal, and to make sure that the price of drugs on the shelves is the best price in the market to protect user rights.

### 2) Product Quality Control

In strict compliance with laws and regulations including the Food Safety Law of the PRC, the Drug Administration Law of the PRC and the Provisional Regulations of the PRC on the Review and Approval of Internet Pharmaceutical Trades and Services, we create a stringent product quality management and control system and get our product quality assurance work implemented based on the needs of users.

#### i. Quality control for Health Mall

Our online platform has a health mall that provides users with a wide range of products covering Chinese and Western medicine, nutrition and health care, medical equipment, mother and child care, sports and fitness and so forth to meet the medical and health needs of users.

- *Supplier management*

We have formulated the Business Violation Points Management Rules of Ping An Good Doctor App to perform quality control on suppliers through a point system (out of 100 points). We have set up points accumulation and deduction nodes and corresponding management measures. When a merchant violates the rules, we will make corresponding punishment, such as giving warning, blocking the store in stages or removing the store entirely, according to the severity of circumstances.

Serious violation	Management measures
Distribution of counterfeit commodities	Removing their commodities and blocking or shutting down the store
Release of non-compliant information	Deducting 50 points each time and deleting the non-compliant information; deducting 100 points and shutting down the store for serious cases
Substandard product quality	Removing non-compliant merchandises from the shelves, and deducting points according to the severity of circumstances
Fake transaction	Giving warning, deducting points and imposing other penalties depending on the times of violation and the amount of money
Improper profit seeking	Deducting 100 points each time regardless of any gains made on the part of the supplier
.....	.....

Examples of violations and punishments

## VII. Adhering to Quality Health

- *Processing of substandard and expired products*

We carry out the inspection of commodities with third-party quality inspection agencies in accordance with relevant national inspection standards through random inspection of samples prior to entry into the warehouse, anonymous purchase of samples online, and spot check focusing on complaint cases and other means. For those suppliers 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 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.

We regularly monitor and report the validity of our products, and urge suppliers to expedite processing through promotions and other measures before the product expires. For expired products, they will be scrapped and destroyed in a centralized manner. During the year, we did not have any cases of recall due to product safety and health reasons.

- *Logistics management*

In accordance with the Quality Management Rules for Drug Trading and other laws and regulations of the PRC, we have formulated the Quality Management System for Third-party Transportation of Pharmaceutical Products which strictly regulates the logistics management for the transportation of pharmaceutical products to prevent quality risk arising from transportation. We entrust third parties with professional qualifications, transportation facilities and equipment, staffing levels, transport capacity and risk control capabilities to take care of the carriage, and require them to maintain an appropriate storage temperature and humidity environment during the storage and transport of pharmaceutical products. In addition, they shall not expose the pharmaceutical products to sunlight during transportation and loading. If the quality of the medicines is damaged due to improper transportation, we will impose penalty on the third party according to the contract. For serious cases, the cooperation agreement will be discontinued and the eligibility for carriage will be cancelled.

### ii. Quality control for own-brand products

In addition to cooperating with suppliers using our platform on the distribution of products, we have also launched the "Ping An High Quality" series own-brand products of Ping An Good Doctor, and smart hardware equipment such as "One-minute Clinic", continuously improving the variety and differentiation of our products in order to cater to the increasingly diverse consumer needs of the masses.

- *Quality control mechanism for Ping An High Quality products*

We engage third-party factories to produce our own-brand "Ping An High Quality" series products, and implement strict quality control over the entire process of third-party factories before, during and after production. We carry out strict screening and auditing of suppliers in accordance with national food production standards, and engage third-party testing agencies to conduct comprehensive qualification audits and field inspections of third-party factories. During the production process, we use online systems to perform quality control on products to ensure that the upstream raw materials and products production processes and the techniques are compliant with relevant national standards and that the production personnel have relevant qualification certificates and experience. We also conduct sampling tests on laboratory samples. Upon the completion of production, we will conduct a comprehensive sampling test again. If the test has been failed, the product will be rejected and the supplier will be fined accordingly, thereby ensuring the quality and safety of the product delivered.

## VII. Adhering to Quality Health

- *Quality control mechanism for smart hardware equipment*

Ping An Good Doctor provides products covering all kinds of people and various health application scenarios. Centering on AI technology and extending in the form of smart hardware, we have launched smart hardware equipment and products such as "One-minute Clinic". Based on product design and business needs, we formulate product requirements documents, technical clauses and other standards, and select qualified high-caliber suppliers through bidding. The selected suppliers must build a prototype according to our requirements, and our test team will conduct a combined software and hardware testing on the prototype. Batch production can only be carried out after the test has been passed.

For products delivered to customers, if any damage has been identified by the customer at the time of acceptance check, we will communicate with the customer forthwith to provide services such as equipment replacement and onsite repair. For products that have been put into operation, we will monitor the operating status of the equipment at the backend. If any anomaly is found, it will be dealt with as soon as possible and the customer will be given notice. In addition, for "One-minute Clinic", we have also arranged staff to carry out weekly inspections to check whether the equipment functions normally and whether the exterior is intact, and to perform routine cleaning and maintenance. We provide a comprehensive after-sales warranty service for the products we sell to ensure product quality and user safety.

### iii. Drug quality and safety

We attach great importance to the quality and safety of drugs and strictly abide by the Implementation Regulations of the Drug Administration Law of the PRC, the Quality Management Rules for Drug Trading of the PRC and other laws and regulations. Based on these, we have established a standardized drug quality management system.

- *Warehouse management of self-operated pharmacy*

In addition to exercising strict control over the drugs sold by the merchants using the health mall and engaging third-party logistics service providers to ensure drug quality, we have implemented a stringent regulatory system for drug management in our own pharmacies. We have set up a full-time inspector to inspect the purchased drugs in batches in accordance with the Drug Quality Inspection and Acceptance Procedures and statutory drug standards. We store the medicines that have passed the acceptance procedures in the warehouse by special counters and areas, monitor and timely adjust the temperature and humidity of the warehouse, and keep the warehouse clean and hygienic at all times. We have also hired professional pharmacists who are responsible for the quality supervision and inspection of the entire process of drug operation and making rectification measures with respect to the issues identified. We monitor the expiration of medicines in real time. For medicines with an expiration date of less than 6 months, we will take them off the shelf, store them in the area where drugs are to be processed, and report damages and destroy them accordingly.

- *One-minute clinic drug monitoring*

For the drugs sold through our One-minute Clinic, drug supply is replenished by the local partnering chain pharmacies which are also responsible for the related operations. We have established a system for invoicing and batch number expiry management in the management back office of the "One-minute Clinic" to monitor the appearance, quality, and expiration date of drugs. Through real-time communication with partnering pharmacies, we have notified them to designate someone to perform maintenance. We also regularly check the medicines in the "One-minute Clinic", make statistics on the medicines that do not meet the conditions for sales, and notify the partnering pharmacies to deal with them in time to ensure the quality and safety of the medicines.

## VII. Adhering to Quality Health

### 3) Quality Management on Development of Projects and Products

We strictly regulate the development and online process of projects and products to ensure the quality of projects and products. We have formulated a set of standard operating procedures (SOP) for products to be launched online where the product development and operation department will conduct preliminary market research, product content planning, cost budgeting, user procedures and other entry assessments for the project after the new project plan is submitted by the relevant department. The project will then go through pricing as well as channel and access marketing, followed by the implementation of product interaction design by product manager, development of product functions by technology department, marketing and promotion by marketing department and other work stages. The tasks and follow-up matters of each development stage of the project have clear responsible departments and persons-in-charge to ensure the smooth and stable implementation of the project development process.

In addition, before the online launch of the product, we will formulate the corresponding service SOP, organize training and examination for the service personnel according to the standards, and invite internal and external personnel to experience and evaluate twice a week. The products may only be officially launched online after the evaluation of the services ancillary to the products. Subsequently, the corresponding services will be reviewed and continuously optimized in the course of business to further improve the quality of the products and the corresponding services as well as customer experience.

### 3. Intelligent Technology Transfer

Ping An Good Doctor actively responds to the nation's call for balancing healthcare resources through "Internet + Healthcare" to allow the general public to enjoy quality healthcare services. At the same time, we also transfer our leading AI healthcare technology, mature products and operation methods to build an extensive medical and healthcare ecosystem for the benefit of more people.

#### 1) Hospital Cloud

Ping An Good Doctor and its offline physical hospitals have jointly established an Internet hospital service platform that integrates pre-diagnosis, mid-diagnosis, and post-diagnosis disease treatment and health management to strengthen the interaction and continuous communication between doctors and patients, thus creating a "hospital cloud" of medical services extended from inpatient services to outpatient service with integration of online and offline resources.

As of 31 December 2019, we have established partnerships with more than 3,000 hospitals. In addition, we have entered into strategic cooperation with national hospitals such as the Second Chinese Medicine Hospital of Sichuan Province and the Fourth Affiliated Hospital of Nanchang University across China. By connecting our "hospital cloud" system with the hospital information system (HIS) of the partnering hospitals, we have formed a "three-in-one" platform comprising online diagnosis and treatment, prescription sharing and health management, and built a new ecosystem of "Internet Hospital" by capitalizing on AI medical technology.

Through the establishment of "Internet Hospital", it helps cover online follow-up consultations, prescription circulation, drug distribution, chronic disease management and other modules, providing patients with integrated medical and healthcare services to break the boundaries of inpatient and outpatient services and expand the space of hospital services. At the same time, the Internet Hospital will also become the carrier of the data integration and sharing platform, which promotes information interconnection and real-time sharing among the parties, thus forming a complete online and offline closed loop of healthcare services.

## VII. Adhering to Quality Health

### Case Sharing:

#### Ping An Good Doctor jointly established Quzhou-Ping An Internet Hospital with Quzhou Municipal Health Commission

On 30 July 2019, the signing ceremony for the strategic cooperation of Quzhou-Ping An Internet Hospital was held in Quzhou, Zhejiang. The construction of Quzhou-Ping An Internet Hospital is in accordance with the strategy of developing the “Digital Economy Smart Industry” in Quzhou City with focus on difficulties in seeking medical treatment for the general public, while actively exploring new technologies, new industries, new formats and new models for the development of “Internet + Healthcare”. After entering into the strategic cooperation agreement on the construction of Quzhou-Ping An Internet Hospital, both Ping An Good Doctor and Quzhou Municipal Health Commission will make

full use of their respective advantages to integrate the physical healthcare resources of Quzhou with the “Internet + Healthcare” model of Ping An Good Doctor to expand the ecological circle of hospitals, doctors and patients, so as to promote the development of the healthcare industry in Quzhou.



Signing ceremony of Quzhou-Ping An Internet Hospital

### 2) Clinic Cloud

We endeavor to introduce quality offline clinics for cooperation, and provide them with industry standards to improve their business capabilities and influence, helping them achieve information management and building a “Clinic Cloud” for comprehensively improving the level of primary medical care. In December 2019, the country’s first internationally acclaimed clinic standard, “Comprehensive Evaluation Indicator System of Urban Clinic in China”, which was formulated by Institute of Hospital Management of Tsinghua University and supported by Ping An Good Doctor, was officially published. Such indicator system is formulated with reference to the clinical certification standards that have been implemented internationally and the existing indicator system provided by Ping An Good Doctor where Ping An Good Doctor is fully engaged in the pilot testing of the standard after its preparation. Such indicator system will help improve the quality of healthcare services in primary medical care institutions in China and facilitate normalization and standardization of clinics management. Ping An Good Doctor also strives to conduct management training and provide industry standards certification services to the clinics nationwide. Since its launch, the project has cumulatively more than 10,000 clinics enrolled in the certification program. These clinics cover more than 200 cities in 31 provinces across the nation, spanning across specialty clinics including outpatient clinics, general medicine clinics, dental clinics and Traditional Chinese Medicine clinics.

The cloud clinic system developed by in-house team is an online platform system of clinic informatization covering all business scenarios such as appointment, prescription, inspection, invoicing management and data report, which support the alignment with the local medical insurance system. The system can help clinics in areas of data integration, integration of online and offline services, and optimization of diagnosis and treatment service procedures. By formulating clinic certification standards and transferring the technology of cloud clinic online platform system, Ping An Good Doctor provides upgraded solutions for offline clinics to improve their efficiency.

## VII. Adhering to Quality Health

### 3) Overseas Cooperation

While developing the domestic market, Ping An Good Doctor also transfers its own technological capabilities and extensive Internet healthcare operation experience to overseas markets. We have established a joint venture with Grab, the largest O2O platform in Southeast Asia and, after conducting market research, selected Indonesia and Singapore as the first two countries for technology transfer. There is a serious shortage of healthcare resources in Southeast Asia, and advanced healthcare solutions are imminent. Leverage on the synergies arising from Ping An Good Doctor's AI healthcare technology and Grab's huge user base and operating experience in Southeast Asia, we provide one-stop healthcare services from online healthcare to health management in Southeast Asia to improve the healthcare conditions of local residents.

Meanwhile, we also set up a joint venture with Softbank during the year. Setting foot in the Japanese healthcare market, we worked with the local hospitals, doctors, insurers, pharmacies, logistics service providers and other strategic partners to jointly solve the international issue of uneven distribution of healthcare resources.



Overseas products

### 4. Intellectual Property Management

We attach great importance to the protection and management of intellectual property rights and strictly abide by the Patent Law of the PRC, the Trademark Law of the PRC, the Copyright Law of the PRC and other laws and regulations, so as to effectively safeguard the Company's intangible assets and maintain the order of the Internet healthcare market. We have set up an internal legal compliance team responsible for coordinating the declaration and management of intellectual property rights. The legal compliance team works closely with each business department to sort out the application needs for intellectual property rights, and cooperates with intellectual property agencies externally to carry out work related to intellectual property applications.

As of 31 December 2019, Ping An Good Doctor has 141 registered trademarks and 26 patents under its entities in China, with another 108 applications for trademark and 140 applications for patent pending upon approval. In addition, Ping An Good Doctor also owns 24 authorship copyrights and 18 computer software copyrights under its entities in China.

# Environmental, Social and Governance Report

## VIII. Providing Services for Quality Life

*ESG issues addressed in this section:*

- Promotion of healthcare services
- Inclusive healthcare services
- Protecting clients' privacy and data security
- Customer satisfaction and complaint handling

*SDGs addressed in this section:*



We actively understand the users' needs and listen to their feedbacks in adherence to the corporate mission of "providing every family with a family doctor, creating an e-health profile for everyone, and setting up a health management plan for everyone" to provide users with comprehensive and multi-level healthcare services and meet the diverse healthcare needs of the general public with a view to becoming a service supplier that builds a better life for the general public.

### 1. Innovative Inclusive Healthcare Services

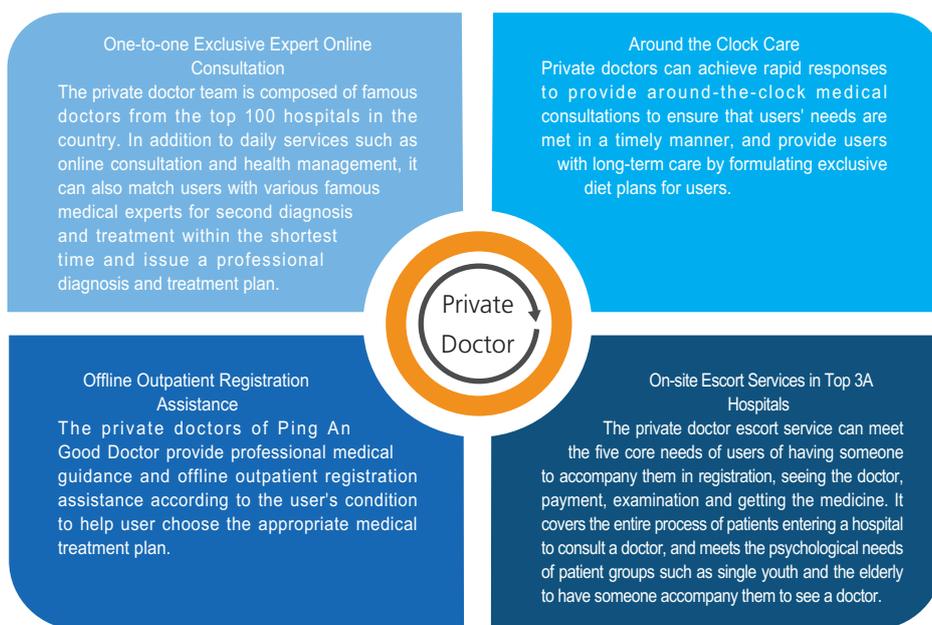
We actively innovate healthcare service models and strive to provide equal, inclusive and accessible healthcare services to the general public. Leverage on Ping An Good Doctor's extensive quality healthcare resources locally and abroad as well as world-leading AI healthcare technology, we comprehensively improve consumers' experience when purchasing health products and healthcare services.

#### 1) Services of Private Doctors

In August 2019, Ping An Good Doctor officially launched an epoch-making strategic and innovative product – "Ping An Good Doctor • Private Doctor", a comprehensive, high-quality one-stop healthcare service for the middle-class population. By exclusively engaging one-to-one private doctors who can interact with users in an all-round manner, the "Private Doctor" services thoroughly break the ice-cold "stranger" relationship in traditional healthcare industry, and truly makes the "quality healthcare resources around the users", leading the industry into an era of private doctors, which help boost the formation of the Chinese-based healthcare innovative model.

## VIII. Providing Services for Quality Life

Our “Private Doctor” service has introduced a variety of versions such as children service, adult care service, adult exclusive service, elderly supreme service and diabetes patients service to meet the needs of healthcare services for different groups of people. The “Private Doctor” includes the following services to effectively facilitate the treatment of Chinese families:



Through the innovative service model, “Private Doctor” service enables doctors to interact with users in an all-round manner and build a high-trust relationship. Under this innovative service model, doctors can track users’ physical health data over time and provide users with more accurate, more consistent and more personalized healthcare services, thus becoming the most comprehensive and timely healthcare service provider for individuals and families.



Private Doctor IP Image “Dr. Hot Water”

## VIII. Providing Services for Quality Life

### 2) “Step-for-reward” Walking Exercise

The public is faced with a variety of sub-health problems. Long hours of overwork have made less time for people to exercise. As a result, increasingly more people are in between good health and ill health. In order to improve the nation’s ability to self-regulate and prevent sub-health conditions, we have launched the “Step-for-reward” walking exercise.

Through Ping An Good Doctor’s online platform, users can participate in daily healthy walking exercise. Users can check the daily walking steps, walking distance and calories burned on the online platform, and earn health reward points which can be redeemed for healthcare products in the health mall. It truly realizes that “making money by walking”. Since its launch in December 2015, the “Step-for-reward” campaign has been running for four years. It plays an important role in motivating national exercise.



Promotion interface of “Step-for-reward” campaign

### 3) “Slim Perfect” Meal Replacement Brand

In April 2019, the “Weight Loss Center” of Ping An Good Doctor launched a new meal replacement brand, “Slim Perfect”, to help the younger generation of consumers meet their weight management demands. At present, many young people in modern cities suffer from obesity, which is the main culprit of diabetes, cardiovascular diseases and some other diseases.

The launch of this “Slim Perfect” meal replacement product aims to help the young white-collar group in the modern city manage weight effectively and healthily through adjusting the intake ratio of carbohydrates, fats and proteins in their diet, as supplemented by plenty of green vegetables and high-quality proteins so as to accelerate metabolism and fat decomposition. At present, the weight-loss principle of “Slim Perfect” has been unanimously approved by authoritative experts from the Nutrition Department of the General Hospital of the Northern Theater Command of the People’s Liberation Army, the Nutrition Department of Zhongshan Hospital of Fudan University, the Nutrition Department of East China Hospital of Fudan University, and the Nutrition Department of Tongji Hospital of Tongji University. In addition, compared with the large variety of meal replacement products available on the market, “Slim Perfect” is innovative in terms of weight management and taste such that users can manage weight while satisfying their taste buds. It has extended the methods and dimensions of Ping An Good Doctor’s healthcare services, thus effectively enhancing consumer experience.



“Slim Perfect” nutritious protein bars

## VIII. Providing Services for Quality Life

### 2. “Pharmacy Cloud” – Creation of a closed “medical + pharmacy” loop

We have empowered pharmacies with the innovative service model of “Internet Healthcare + Pharmacy”, allowing traditional retail pharmacies to possess multiple medical services such as online consultation and appointment registration to achieve the transformation from a pure “drug purchasing place” to a “medical consultation area”. This has provided a complete set of new solutions for pharmaceutical retailers.

We cooperate with Dingdang Fast Medicine, Yifeng Pharmacy Chain, Nepstar Chain, Laobaixing Pharmacy Chain, Yixintang and other well-known national chain pharmacies to jointly create the “one-hour flash drug delivery” service. Consumers may independently purchase over-the-counter medicines through the online platform of Ping An Good Doctor. They may also consult professional doctors through our 24/7 online consultation service. After an electronic prescription has been issued, consumers can directly place their orders for the prescribed medicines which will be delivered in an hour. This has broken the time and space limitations of consumers purchasing drugs. At the same time, we link up the “flash drug delivery” service with commercial insurance to facilitate consumers to reimburse their drug expenses through commercial insurance. In addition, for Ping An Good Doctor’s cooperative pharmacies, consumers may scan the QR code displayed in the store for online consultation and purchase the drugs prescribed by online doctors, hence improving the efficiency of purchasing prescribed drugs offline.

As of 31 December 2019, Ping An Good Doctor signed up 94,000 drug stores, covering 375 cities in 32 provinces. Going forward, we will continue to expand to more regions.

### 3. User Survey Mechanism

Ping An Good Doctor has a user research and user experience design team. By understanding user experiences and requirements, products are optimized and improved in terms of interaction design, visual design and other aspects to improve user experience. We use the Net Promoter Score (NPS) system, and set performance appraisal indicators for each business unit based on NPS to manage and improve product quality and user experience through weekly tracking and quarterly assessment.

We investigate user needs mainly through NPS contact questionnaires and user forums. The NPS contact questionnaire is actively triggered by the online platform of Ping An Good Doctor, and user feedback on the products is automatically collected by the system on a daily basis. We hold offline face-to-face user forums once a month and invite heads of business departments to participate, at which we sort out and discuss user feedback on the products, and track the handling of issues to follow up the progress of improvements made, continuously optimizing and upgrading our products and services.

## VIII. Providing Services for Quality Life

### 4. User Satisfaction Survey and Complaint Handling

We attach great importance to the improvement of customer satisfaction and the handling of complaints. Through the establishment of multi-party feedback channels, satisfaction tracking systems and employee appraisal indicator mechanisms, we can timely rectify service issues, improve user consuming experience, thus continuously improving our service quality.

#### 1) User Satisfaction Survey

Our customer service team designs the satisfaction questionnaire taking into account the characteristics and focuses of different business line products, and actively collects user satisfaction data through notification via online application texts and short messages, random follow-up by phone and other means. In addition, we have adopted a series of measures to improve user satisfaction:



In 2019, the satisfaction rate for our medical consulting services was 98%.

#### 2) Complaint Handling Process

We have formulated and implemented the Work Orders Management System, Interim Administrative Measures for Complaints Processing by Customer Service Staff of Merchants of Ping An Health Cloud and other internal policies, clearly defining the handling process for different types of customer complaints and the quality management and control mechanisms. Users may communicate with or complain to our customer service representatives through Ping An Good Doctor's online platform by way of instant messaging, phone, email and correspondence. The complaint cases are categorized 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 internal 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.

We have formulated and implemented the Measures for the Management of Performance Appraisal for Call Center Personnel, pegging the performance and salary of customer service personnel with customer satisfaction and complaints, whereby employees who have received serious complaints are subject to wage deduction, and employees who receive phone or email compliments are given bonuses as rewards to motivate customer service staff to continuously improve their customer service standards.

In 2019, our customer service team served 3,219,000 people in total. The complaint resolution rate was 100%

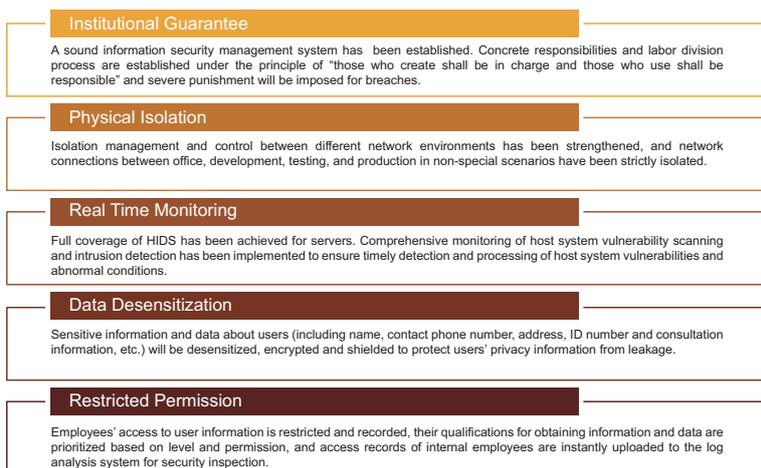
## VIII. Providing Services for Quality Life

### 5. Information Security and Client Privacy Protection

We attach great importance to information security and client privacy protection. In strict compliance with the Regulations on Technical Measures for Internet Security Protection and the Regulations on the Protection of Personal Information of Telecommunication and Internet Users promulgated by the PRC and other laws and regulations, we have formulated and implemented internal policies such as the Policy on the Information Security System of Ping An Health Cloud Company Limited and the Policy on the Data Security System of Ping An Health Cloud Company Limited to ensure that the personal information of users is not leaked or misused.

#### 1) Information System Security

Ping An Good Doctor has established an information security management committee which comprises the Company’s chief technical officer and heads of departments, responsible for formulating information system security principles and overseeing the effective implementation of information security control measures. The Company’s technical security department, being the executive department for information security protection, assumes the responsibility of daily data security management. We safeguard the security of information systems mainly through the following measures:



Case Sharing

#### Information Security Awareness Assessment Activity in 2019

To further improve the information security awareness and protection skills of all employees, Ping An Good Doctor launched an information security assessment activity in 6-29 November 2019. The activity was carried out in eight dimensions: laws and regulations, office security, trade secrets, attack protection, account passwords, permission management, personal information protection, and security incidents. More than 1,500 employees participated. Through the activity, employees can keep abreast of their mastery of information security knowledge, thus strengthening their awareness of the responsibility for protecting personal, client and company information.

## VIII. Providing Services for Quality Life

### 2) Computer Room Management and Emergency Mechanism

To ensure the security of data storage, all our data and information are stored concurrently in two computer rooms for real-time backup, and data recovery test is adopted to ensure the availability of backup data. We have formulated the Policy on Emergency Response for the Health Internet System which specifies detailed countermeasures and operational procedures for emergencies arising in the course of operation and maintenance of the computer room system, including system failures, network attacks, virus outbreaks, and network equipment and application server anomalies, to ensure the smooth operation of the system.



Information security emergency mechanism

Case Sharing

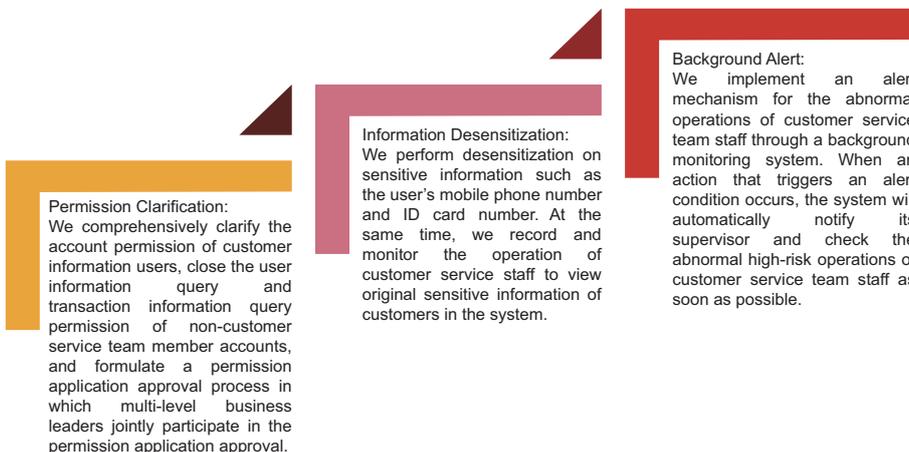
#### Dual-computer-room disaster recovery switching exercise

At 2 am on 28 June 2019, Ping An Good Doctor conducted a dual-computer-room disaster recovery switching exercise, and performed a scenario where one computer room switches all of its online services to another in a disaster scenario. The whole exercise took 16 minutes. The switching process did not affect the normal use of the Company's online products, and all business segments online were able to operate normally after the switchover. The exercise has improved the security, continuity, and availability of the Company's information system in the event of a sudden disaster, laying a solid foundation for the rapid development of the Company's business.

### 3) Client Privacy Protection

During the year, we released the updated User Privacy Protection Policy of Ping An Good Doctor which has disclosed the ways and methods of our collection, use, sharing, storage, and protection of users' private information, as well as the advice to users on how to give feedback relating to privacy issues.

In addition, we have adopted the following measures to strengthen the monitoring of user information usage behaviors to protect client data from being leaked:



# Environmental, Social and Governance Report

## IX. Upholding a People-oriented Caring Culture

*ESG issues addressed in this section:*

- Prevention of child and forced labor
- Occupational health and safety
- Staff training and development
- Employee rights and benefits
- Equality and diversity

*SDGs addressed in this section:*



Adhering to the people-oriented principle, Ping An Good Doctor has always regarded its employees as the most valuable assets for the sustainable development of the Company. We safeguard the legitimate rights and interests of our staff, attach great importance to their development and cultivation, care for their physical and mental health, and allow them to strike a balance between work and family to harvest happiness in career and life, striving to become the most preferred employer trusted by employees.

### 1. Talent Team Management

Strictly abiding by the Labor Law of the PRC, the Labor Contract Law of the PRC, the Social Insurance Law of the PRC and other laws and regulations, we have formulated and implemented a series of internal systems, such as the Recruitment Management System of Ping An Health Cloud, the Remuneration Management System of Ping An Health Cloud and the Employee Handbook of Ping An Health Cloud Company Limited, to gradually improve the human resources management structure of the Company. In 2019, we adhered to the principle of equal employment opportunity in continuously optimizing our management measures in terms of talent recruitment, staff training, performance appraisal, talent promotion and other aspects to achieve the common growth of Ping An Good Doctor and its staff.

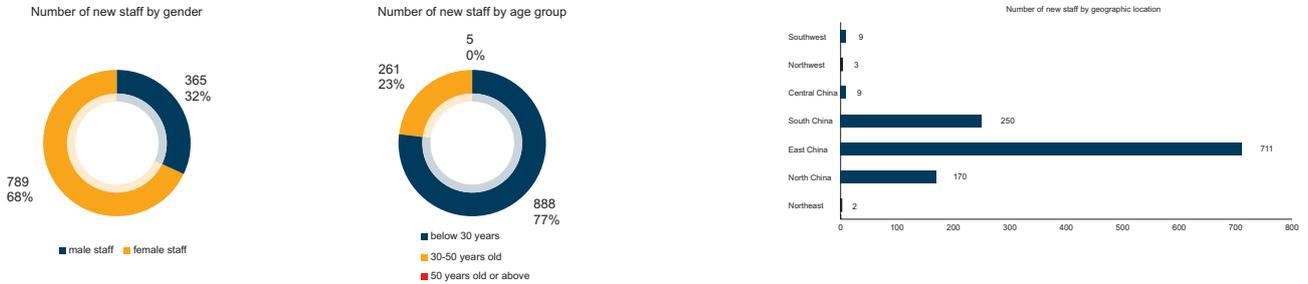
#### 1) Talent Recruitment

We earnestly implement the system requirements of the Recruitment Management HR Operation Manual of Ping An Health Cloud Company Limited and Administrative Measures on Review Commissioner of Ping An Health Cloud Company Limited, and adhere to the principle of fair and just recruitment in regulating the management of recruitment processes to ensure the recruitment will not be influenced by factors such as nationality, race, marital status, age, gender and religion. We introduce outstanding talents to the Company mainly through open recruitment, internal referral, etc. At the same time, we conduct targeted campus recruitment in accordance with business development needs for introducing fresh graduate resources in medicine and technology to the Company.

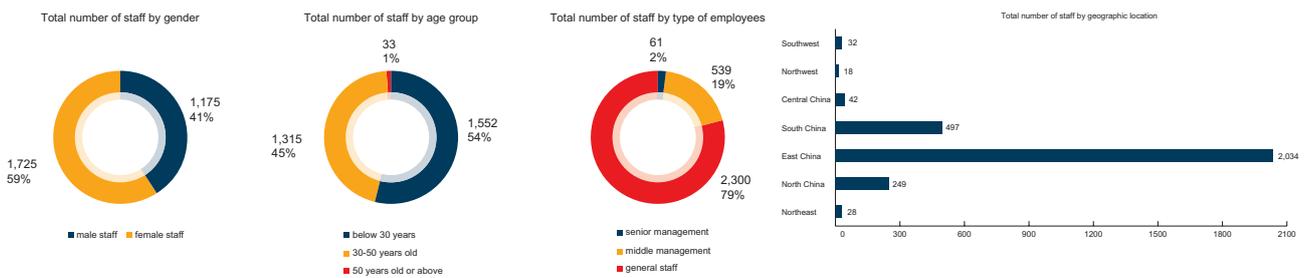
In the recruitment process, we verify the age of applicants through identity cards and other materials and strictly prohibit the use of child labor. During the Reporting Period, the Company did not recruit any child labor.

## IX. Upholding a People-oriented Caring Culture

During the Reporting Period, Ping An Good Doctor had 1,154 employees in total.



As of 31 December 2019, the total number of employees of the Company was 2,900, all of which were full-time employees.



Case Sharing

### Joint internal referral event in five workplaces

In April 2019, Ping An Good Doctor launched an offline joint internal referral event in five major workplaces, namely Shanghai, Guangzhou, Beijing, Qingdao and Hefei, with the aim of replenishing the Company with professional doctor resources through internal referral, and all of the referral doctors accepted came from well-known domestic 3A-grade hospitals, thus laying a talent foundation for the Company's rapid developments.



Internal referral event in Shanghai



Internal referral event in Beijing

## IX. Upholding a People-oriented Caring Culture

### 2) Staff Training and Development

We attach great importance to the continuous development of our staff and the enhancement of personal values. According to training subjects and purposes, we have established a training system comprising online and offline multi-level training methods, such as executive training, intermediate manager training, professional skills training, newcomer induction training and the online Zhiniao learning platform, which has furnished sustained impetus to the professional development of our staff.



## IX. Upholding a People-oriented Caring Culture

As of 31 December 2019, Ping An Good Doctor organized a total of 1,217 offline trainings.

By gender	Percentage of trained employees	Per capita training hours (hour/person)
Male	95%	49.6
Female	98%	87.3

By staff category	Percentage of trained employees	Per capita training hours (hour/person)
General staff	96%	82.6
Middle management	93%	58.9
Senior management	82%	28.7

### Case Sharing

#### The Sixth Session of "NEW Start" Mid-level Leadership Training in 2019

On 23 February 2019, the sixth training session for the "NEW Start" Mid-level Manager Leadership Development Project was officially launched by Ping An Good Doctor. The training was organized for 37 new mid-level managers and has implemented a face-to-face training course, Coaching and Incentives for Employee Growth. In the course, classic tools such as "Five Processes of Communication" and "Five Principles of Communication" were explained and practiced, and discussions with focus on incentives for post-90s and post-95s staff were carried out. After explanation and discussion on the tools, the teacher guided everyone to understand the essence of the application of the tools through case exercises, and conducted intensive exercises of coaching and incentives dialogues in the follow-up practice seminar. Newly-promoted mid-level managers have effectively improved their ability to mentor and motivate subordinates through this training, and the training has recorded a satisfaction rate of as high as 96%.



At the sixth "NEW Start" mid-level leadership training course

## IX. Upholding a People-oriented Caring Culture

### Case Sharing

#### The "NEW Skill" general skills training in 2019

In June 2019, the "NEW Skill" general skills training project was launched to improve the efficiency of employees in the office. The first session "PPT Presentation and Design Skills" was held in Shanghai, attended by participants in ten locations through video conferencing. Approximately 150 people, including business and functional staff at the headquarters and staff from medical divisions and sales branches, participated in the training. The training specially invited external experts to give lectures on PPT layouts, color design principles and software operation skills for project reports and scenarios that are most commonly used by employees. Trainees were guided all along through hands-on exercises, coupled with demonstrations on upgrading and transformational skills in combination with case study on the Company's actual business reports. The satisfaction rate of this training hit 99%. Positive feedback was also received about the highly practical design principles and typography skills being taught which are said to be helpful in improving the conciseness, beauty and content of reports.



At the "NEW Skill" PPT Presentation and Design Skills training course

### Case Sharing

#### Creating a medical "On-Air Lecture" to boost the growth of new medical assistants

To achieve the transfer of training for new medical assistants from offline to online, reduce training costs and improve training efficiency, Ping An Good Doctor has independently developed a professional audio online course "On-air Lecture" to provide new medical assistants with training courses in the four major departments of pediatrics, obstetrics and gynecology, dermatology and Chinese medicine. As of the end of 2019, "On-air Lecture" had officially conducted 208 courses and 269 exams on the Zhiniao platform. A total of 793 new members from the medical team participated in the training, and a total of 2,183 online learning sessions was recorded. New medical assistants have constantly improved their medical expertise and online consultation skills by participating in the "On-air Lecture", effectively boosting daily work efficiency and improving service standards.

## IX. Upholding a People-oriented Caring Culture

### 3) Performance Appraisal and Talents Promotion

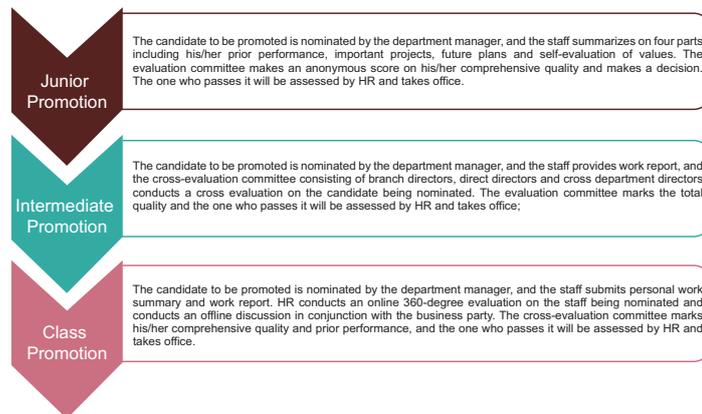
We have formulated and implemented the Performance Accountability Management System of Ping An Health Cloud, the Personnel Promotion Management Rules of Ping An Health Cloud and other internal systems to continuously improve the performance appraisal and talents promotion systems of Ping An Good Doctor.

#### i. Fair performance appraisal

In taking the requirements of the Performance Accountability Management System of Ping An Health Cloud seriously, we formulate an annual performance appraisal scheme for our staff at the beginning of the year, perform phased tracking on a monthly appraisal day, and conduct performance reviews twice in the middle and end of the year. Line supervisors and their superiors, being the appraisers, make a comprehensive appraisal of the staff’s performance taking into account the staff’s horizontal ranking in terms of performance contribution. We require appraisers to conduct feedback interviews with their subordinates, and communicate with the staff on the appraisal results so as to drive and promote the improvement of staff capabilities. In addition, for the sake of fairness, we have provided our staff with channels for performance appraisal appeals to ensure that the results are fair and transparent.

#### ii. Standardized promotion pipeline

We have formulated and implemented the Personnel Promotion Management Rules of Ping An Health Cloud to form a rigorous and standardized promotion system, which has detailed review mechanisms and processes for junior promotion, intermediate promotion, and class promotion.



At the same time, we provide the opportunity of job rotation and job transfer according to business needs and staff performance so as to motivate our staff to give their best and encourage them to continuously improve their professional quality and competence.

## IX. Upholding a People-oriented Caring Culture

### 2. Safeguarding the Rights and Interests of Employees

Strictly abiding by the Labor Law of the PRC, the Labor Law of the PRC and other laws and regulations, we have formulated and implemented the Compensation Management System of Ping An Health Cloud, the Employee Incentive Plan of Ping An Health Cloud, the Complaints and Appeal Work Management System of Ping An Health Cloud and other internal rules to establish a comprehensive compensation and benefits system, providing solid protection for the rights and interests of our staff.

#### 1) Compensation and Benefits

We have established a multi-level compensation system of “cash salary + short-term incentives + long-term incentives”. Based on the value-oriented principle and taking into full consideration the market differences in terms of industry, sequence and position, we formulate competitive compensation plans for employees at different levels and with different job functions to achieve the purpose of attracting outstanding talents and retaining key personnel.

We provide diversified benefits for our staff. On the basis of statutory benefits such as the Five Insurances and One Fund (endowment insurance, medical insurance, unemployment insurance, employment injury insurance, maternity insurance and Housing Provident Fund), statutory holidays and paid annual leave, we offer additional benefits such as commercial insurance, enterprise annuity, heat allowance, birthday, marriage and childbirth allowance, hospitalization and funeral consolation, caring for the vital interests of our staff.

#### 2) Employee Satisfaction Survey

In order to know the needs of our staff in a timely manner, we regularly organize employee satisfaction surveys every year. Our human resources department organizes annual capacity surveys to obtain employees’ feedback in three aspects: employee thinking, employee capabilities, and employee governance, identifying the competitive advantages and room for improvement in the Company’s own human resources management for the formulation of targeted solutions to continuously improve satisfaction and happiness in career development among the staff. At the same time, we conduct workplace satisfaction surveys every year to listen to staff opinions through various means such as letters, emails, and telephone calls. During the year, our workplace satisfaction survey scored 70.5 points (out of 72 points).

#### 3) Overtime Management System

We have formulated and implemented the Employee Overtime Management System of Ping An Health Cloud Company Limited, and have 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.

#### 4) Equality, Pluralism and Anti-discrimination

We are committed to creating a fair and democratic employment environment for our staff to ensure they are not treated differently based on factors such as gender, age, nationality, religion, family and health status, and opposes any form of discrimination. We strictly implement the Complaints and Appeal Work Management System of Ping An Health Cloud to ensure that staff complaint channels are unblocked. During the Reporting Period, we did not receive any complaints about employment or infringement of employee rights.

## IX. Upholding a People-oriented Caring Culture

### 3. Occupational Health and Safety

We pay great attention to the health and safety of our staff and strictly abide by the Law of the PRC on the Prevention and Control of Occupational Diseases, the Production Safety Law of the PRC and other laws and regulations, creating a healthy and safe working environment for our staff. 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

We provide employees with annual health checkups and commercial medical insurances to urge employees to pay attention to their physical health. Our office building has an infirmary that provides free-of-charge medical advice and medicines to our staff. At the same time, to alleviate the discomfort caused by long-term sedentary work, we have an acupuncture massage room to offer spine care for our staff. A staff activity center has also been set up to encourage employees take more physical exercise after work to prevent physical injuries caused by desk work over long periods.



Billiard section in the staff activity center



An area for table tennis

We organize our staff to actively participate in workouts at work and eye exercises. At 3:30 pm every working day, audios and videos of eye, neck and shoulder exercises will be delivered to employees through broadcasting on the Company's radio and television with the aim of advocating the combination of work and rest to prevent diseases.



Employees doing neck and shoulder exercises



Employees doing an eye exercise

## IX. Upholding a People-oriented Caring Culture

At the same time, we care for the mental health of our staff by collaborating with external service providers to provide psychological counseling services to our employees – “Xinqing Hotline(心晴熱線)”. When working under pressure and getting confused with issues relating to career development, emotion or child education, employees may call for counseling from a psychologist. The hotline service is available 12 hours a day, 365 days a year, and the privacy of our employees is tightly protected.

### Case Sharing

#### Ping An Good Doctor’s running team activity

On 16 November 2019, the labor union of Ping An Good Doctor organized employees to participate in the “Ping An Family, I and My Motherland Going Ahead Together” sports competition organized by Ping An Insurance (Group) Company of China Limited (hereinafter “Ping An Group”). Ping An Good Doctor’s running team won the third for group section in the long-distance running game. With its excellent physical quality, the team showed the perseverance of Ping An Good Doctor, realizing the balanced development of work and life.



Running team of Ping An Good Doctor



Trophy for the third in the long-distance running game

## IX. Upholding a People-oriented Caring Culture

### 2) Occupational Safety

We strictly abide by the Fire Service Law of the PRC, the Emergency Response Law of the PRC and other laws and regulations by conducting fire inspections and holding fire drills on a regular basis, earnestly implementing fire management work and strengthening the awareness of fire safety prevention and control among our staff.

#### Case Sharing

#### The fire safety training seminar of Ping An Good Doctor in 2019

On 7 November 2019, Ping An Good Doctor's workplace management office actively organized employees to participate in the fire safety training seminar organized by the Ping An Building Property Management Office in Shanghai. The training was divided into two parts: theoretical study and fire drills. The trainees were able to master fire safety knowledge and self-rescue skills through theoretical learning. They were also allowed to use fire-fighting equipment to extinguish fires in actual drills. This has effectively improved their ability to prevent fire and has strengthened the awareness of fire prevention among all employees.



Training seminar



Fire drill

## IX. Upholding a People-oriented Caring Culture

### 4. Humanistic Care

We attach great importance to caring for our staff. Through the formulation and implementation of the “Administrative Liaison Officer Responsibilities and Management Measures of Ping An Health Cloud”, we have established administrative liaison officers in various business departments to provide support and assistance to our staff. We have set up basketball, football, swimming, badminton and other clubs in the Company to carry out a variety of cultural and sports activities aiming at promoting a balance between work and life among employees. Paying attention to the physical and mental health of female groups, we provide a safe and convenient baby care room for our female staff. Every holiday, we offer a variety of holiday greetings and gifts and hold various celebration activities for our staff to enhance their sense of belonging.

#### Case Sharing

##### Women’s Day activities on 8 March

On the Women’s Day, Ping An Good Doctor invited two models dressed in ancient Chinese costumes to distribute flowers to female staff coming to work in the morning, and prepared exquisite afternoon tea including cakes, fruit platters and energy drinks exclusively for female staff.



Models dressed in ancient costumes distributing flowers to female staff



Cakes specially prepared for female staff

## IX. Upholding a People-oriented Caring Culture

### Case Sharing

#### The Company's celebration of its first listing anniversary

On 5 May 2019, to show our gratitude to all our staff for their hard work in the first year of listing of Ping An Good Doctor, the Company organized a celebration event with the theme of "Thanking You For Your Company All Along". A customized gift and afternoon tea were prepared for every employee. The aim was to share the fruits of the Company's developments and to create a harmonious working atmosphere.



The first listing anniversary celebration event



Customized gifts prepared for employees

### Case Sharing

#### Overtime meal break

On 7 August 2019, Ping An Good Doctor launched an overtime meal break event for its employees. Many foods, including burgers, salads and juices, were provided. A nourishment room was also set up where a variety of snacks was available to the staff. The overtime meal break event was open to a total of approximately 1,200 employees. The event has boosted staff morale and has reflected the Company's care for its staff working overtime.



A variety of foods was provided at the overtime meal break

# Environmental, Social and Governance Report

## X. Practicing Social Responsibility

*ESG issues addressed in this section:*

- Promotion of healthcare development
- Inclusive healthcare services
- Promotion of health education
- Contributions to social and public welfare
- Technology development and innovation

*SDGs addressed in this section*



Paying great attention to social issues and insisting on fulfilling social responsibilities, we actively participate in poverty alleviation through medical support to boost charitable undertakings taking advantage of the resources and advantages of Ping An Good Doctor's medical platform on the Internet, contributing our own strength for the harmonious development of society.

### 1. "Village Doctor Program"

In order to thoroughly implement the Outline for the "Healthy China 2030" Initiative, we actively respond to the national call for poverty alleviation and provide assistance to the "Three-Village Project" of Ping An Group. Starting from rural health being the contradictory highlight and combining its own medical advantages, Ping An Good Doctor launched the "Village Doctor Program" oriented to the poor areas nationwide for the implementation of a three-dimensional project on poverty alleviation through medical support featuring medical service upgrading at the three levels of rural clinics, village doctors and villagers, effectively improving the standard of basic medical services in poor regions.

Taking advantage of our own medical advantages on the Internet, we actively carried out innovation, developed smart remote medical diagnostics and treatment systems and Ping An Good Doctor Village Doctor online applications (hereinafter the "Village Doctor App"), and introduced smart medical equipment such as all-in-one health testing machines which has greatly improved the efficiency and effectiveness of poverty alleviation through medical support, thus effectively serving residents at the grassroots level.

The "Village Doctor Program" has received recognition and appreciation from many parties for its innovative solutions to help the poor through medical support. In December 2019, the United Nations Development Programme Office in China, the China Development Planning Research Institute of the Tsinghua University, the State Information Center and other institutions officially released the Special Edition of the National Human Development Report in Beijing. The "Village Doctor Program" was successfully selected into the report for its remarkable achievements in the field of healthcare in less developed areas. Through the "Village Doctor Program", Ping An Good Doctor fulfills its social responsibility by capitalizing on its own industry and resource strengths, taking practical actions to show its support towards high quality and sustainable human development.

## X. Practicing Social Responsibility

### 1) Upgrading Rural Clinics to Create Smart Rural Clinics on Technological Empowerment

We donate medical equipment such as all-in-one health testing machines to rural clinics. Through the machine, we create an exclusive health file for each villager, and by connecting to the government's public health system and Ping An Good Doctor's mobile application, we can achieve upgrading of the information-based "smart rural clinics". The all-in-one health testing machine is capable of measuring a variety of basic medical data such as blood pressure, ECG, heart rhythm, blood oxygen, blood sugar, body temperature, urine routine testing, etc., conducive to improving the standard of service of primary care staff. In addition, we provide simple equipment for primary medical rescue, such as medical kits for home visit, simple breathing apparatuses, blood cell analyzers, infrared therapy devices and small oxygen generators, for rural clinics to effectively strengthen the basic service capabilities in poor regions. As of the end of 2019, we had achieved over 900 rural clinics upgrade.



Ping An Good Doctor donated medical supplies and common drugs to Sichuan Ganzi Jiangda Primary School

### 2) Training Village Doctors to Help Them Become "Rural Health Gatekeepers"

In order to achieve poverty alleviation at the primary level, we are committed to conducting medical training activities for village doctors, fully demonstrating our efforts to improving the standard of medical services and service capabilities among village doctors, thereby achieving the penetration of high-quality medical resources and thus improving the overall health of villagers. We carry out offline medical training for village doctors within the areas of poor counties, which has shown that village doctors will improve their medical standards through on-site teaching by professional doctors.



Village doctor training in Foping, Shaanxi



A briefing to village doctors on all-in-one health testing machines under the Village Doctor Program

## X. Practicing Social Responsibility

We have independently developed the Ping An Good Doctor Village Doctor online application (hereinafter the “Village Doctor App”). The operational guidance of the all-in-one health testing machine and the training course of the Village Doctor App have been included into the village doctor training to help village doctors master the usage of smart medical equipment, thereby allowing them to better provide medical services to local villagers. The Village Doctor App has six major functions as below:



Function page of Ping An Good Doctor Village Doctor App



Page on the training program under Ping An Good Doctor Village Doctor App

## X. Practicing Social Responsibility

As of the end of 2019, we carried out more than 30 offline village doctor training activities in over 20 provinces across the country, cumulatively training more than 11,000 village doctors. In addition, through on-site guidance, we helped download the Ping An Good Doctor Village Doctor App and complete the registration, and more than 10,000 village doctors have formed a paired relationship with volunteer doctors. The cumulative number of auxiliary diagnosis and treatment cases exceeded 160,000. This has helped the transformation of village doctors from the traditional “barefoot doctors” to “village health gatekeepers” with general medical service capabilities.

### Case Sharing

#### Village doctor training activity in Chongqing Tongliang Station

On 25 October 2019, at the Tongliang District People’s Hospital in Chongqing, more than 500 village doctors from the Tongliang region participated in the training for high-incidence common and chronic diseases in rural areas. Through this training, the village doctors were able to gain a deep understanding of the diagnosis and treatment of diseases such as hypertension, pediatric bronchitis, pneumonia, herpes pharyngitis and upper respiratory tract infections. As a result, their clinical diagnosis standards have been effectively improved. At the same time, training on the Ping An Good Doctor Village Doctor App and a Q&A session were organized at the site. Leveraging medical technologies available on the Internet, sharing the high-quality medical resources of large cities and hospitals with villages is made possible.



Village doctor training in Chongqing Tongliang Station

## X. Practicing Social Responsibility

### 3) Providing Free Expert Consultation to Protect the Health of Villagers

We have set up a free medical consultation team consisting of over a hundred famous doctors from the 3A-grade hospitals, and have repeatedly organized them to travel to remote rural areas to offer health science lectures, physical examinations and common diseases diagnosis and treatment services to local villagers. With the help of mobile testing vehicles equipped with advanced medical equipment, we provide villagers with comprehensive testing programs covering blood routine, urine, blood pressure, electrocardiogram, B-ultrasound, color doppler ultrasound, and chest radiographs. During the year, we also independently developed a smart remote diagnosis and treatment system. This system has the advantages of simple operation and portability, enabling free multi-departmental consultation to be remotely carried out by only a small number of operators on site. On one hand, this remote diagnosis and treatment system has broken through the restrictions of time, place and consultation department, providing a greater number of villagers with more comprehensive disease diagnosis services. On the other hand, it has reduced the personal safety risk for doctors in traveling to remote areas for consultation. As of the end of 2019, we carried out a total of 570 on-site testing activities, providing free medical consultation to more than 63,000 people. Going forward, we will continue to provide quality medical and health services to more villagers through free physical examinations and free medical consultation activities.

#### Case Sharing

#### Free medical consultation event in Inner Mongolia

In July 2019, Ping An Good Doctor held a free expert consultation event in Tumuertai Town, Wulanchabu City, Inner Mongolia. Medical experts on chronic diseases, rheumatism, orthopedics and other diseases that are commonly found among local villagers were seconded to work with local medical institutions to provide consultation and diagnosis to local villagers. Experts from Shanghai Ruijin, Beijing 301 and other major 3A-grade hospitals patiently taught the local villagers about medical and health care knowledge on chronic diseases, and provided diagnosis and treatment suggestions to more than 200 villagers at the site, conducive to the balanced development of medical and health undertakings in China.



Free expert consultation event held in Tumuertai Town, Inner Mongolia

## X. Practicing Social Responsibility

### 2. “Three-village Hundred-treasure” Project

In November 2019, the self-owned product center of Ping An Good Doctor joined hands with Ping An Property and Casualty Insurance Company of China, Ltd. and the brand promotion department of Ping An Group to launch the “Three-village Hundred-treasure” poverty alleviation project, whereby agricultural products from mountain villages will be purchased and sold leveraging its own products, warehousing, logistics, after-sales services and other advantages with the aim of supporting enterprises in poor regions such as Inner Mongolia, Ningxia, Shaanxi, Gansu, and Guangdong, and stimulating the development of the local economies. As of the end of 2019, the self-owned product center of Ping An Good Doctor signed cooperation agreements with more than ten enterprises in poverty-stricken areas. Through the design of featured “poverty alleviation treasure chests” and the improvement in product marketing programs, the “Three-village Hundred-treasure” project has been implemented smoothly, providing support to the revitalization and development of rural industries.

### 3. Promotion of Health Education

We actively carry out medical and health education for the general public, popularize health knowledge, and guide the public to develop good working and living habits. By passing on advanced Internet medical concepts to the public, we promote public health awareness and foster the continuous development of innovative medical undertakings.

We have made a popular health science program “Words of Great Doctors”. Based on the medical and health-related pleasures and pains experienced by users in their daily life and work, we have released medical and health care knowledge on a number of platforms such as Douyin, Kuaishou, and Ping An Good Doctor App in the form of short videos, effectively improving the level of health and medical knowledge among users. At the same time, we have invited authoritative doctors, the media and health professionals to release daily health knowledge including scientific prevention and treatment of diseases, health preservation and slimming, and winter supplements, through live broadcast, headlines, health communities and various other means to promote the establishment of a healthy lifestyle for all people.

## X. Practicing Social Responsibility

### 4. We Take Action to Combat Against Coronavirus

In early 2020, cases of novel coronavirus pneumonia (“New Pneumonia”) broke out in Wuhan. The whole nation is fighting the battle to contain the epidemic. While serving our own customers, Ping An Good Doctor has closely monitored the progress of the outbreak and fully capitalized on our strength of Internet medical industry to actively fulfill our social responsibility.

#### 1) Action 1: Joining hands with the government and media bodies to launch the first anti-epidemic free consultation

We have joined hands with government authorities including Health Commission of Guangdong Province, Wuhan Municipal Health Commission, Fuzhou Municipal Health Commission, Hefei Municipal Health Commission and Tangshan Medical Insurance Bureau as well as renowned media bodies and enterprises including People’s Daily Health App (人民日報健康客戶端), Baidu and Moji Weather to launch the first anti-epidemic free consultation nationwide where the public can consult professional doctors by calling the free consultation hotline “400-181-9191” available between 9:00am and 8:00pm seven days a week to obtain guiding opinions to protect themselves against the New Pneumonia. Ping An Good Doctor provides the public with hygiene and protective guidelines through the free consultation hotline in an effort to actively assist the public to contain the outbreak. Our action has been recognized by the health commissions in many regions across China.



Participating enterprises in the “free consultation against coronavirus”

#### 2) Action 2: Establishing a “3Qs + 3As” online consultation preventive mechanism against New Pneumonia

More than 1,000 of our doctors have voluntarily shortened their Chinese New Year holidays to offer 24/7 online free consultation to over 300 million people on Ping An Good Doctor App and WeChat Official Account. At the same time, we have targeted at the symptoms of the disease and formulated a “3Qs + 3As” online consultation preventive mechanism to actively discover the potential patients of New Pneumonia, and immediately advised them to seek treatment in the outpatient department for fever in the top 3A in the local area to avoid any missed diagnosis. At the same time, we have actively organized health seminars on New Pneumonia for users and promulgated relevant preventive and isolation measures. As a key player in the medical and healthcare industry, Ping An Good Doctor fully capitalizes on its strength of online medical care which involves no face-to-face contact with users to help the people nationwide to fight this battle.

## X. Practicing Social Responsibility

### 3) Action 3: Providing supplies to local hospitals in Wuhan

As New Pneumonia continues to spread, many hospitals in Wuhan face a shortage of medical supplies. On 27 January 2020, Ping An Good Doctor emergently arranged delivery of 200,000 face masks to Wuhan and delivered supplies to various major hospitals including Wuhan University Renmin Hospital, Wuhan University Zhongnan Hospital, Wuhan Fourth Hospital and Wuhan Hanyang Hospital to provide protective gear to frontline medics in the epidemic center as part of its practical actions to protect the safety of the medics.



Ping An Good Doctor donated face masks to various hospitals in Wuhan

### 4) Action 4: Donating face masks by leveraging on Ping An Good Doctor's online and offline platforms

We have first thing set up a control center for combating against coronavirus and kept giving away free face masks cumulatively to many provinces nationwide to provide the public with useful materials to fight against coronavirus. Users can apply online for free face masks through Ping An Good Doctor App and collect free face masks at the offline pharmacies in ten cities including Wuhan, Beijing, Shanghai, Guangzhou, Shenzhen, Xi'an and Chengdu. Leverage on its online and offline platforms, Ping An Good Doctor is able to deliver free face masks to those in need in the fastest time, thus effectively alleviating the scramble for face masks by the public.



People queuing in offline pharmacy to collect face masks

# Environmental, Social and Governance Report

## XI. Driving Responsible Supply Chain

*ESG issues addressed in this section:*

- Supply chain management and sustainable development

*SDGs addressed in this section*



Strictly abiding by the Law of the PRC on Tenders and Bids and other laws and regulations, we have formulated and thoroughly implemented internal policies including the Administrative Measures on the Procurement of Ping An Health Cloud Company Limited in fully promoting procurement in the sunshine and regulating procurement activities to mitigate procurement risks. Based on the principles of fairness and justice, we set clear rules on the admission, evaluation and management of suppliers and establish mutually-beneficial long-term cooperative relationship with quality suppliers, striving to become the driver of responsible supply chains.

### 1. Rules on the Admission of Suppliers

We have a procurement center internally to provide professional management and services for centralized and decentralized procurement operations of Ping An Good Doctor. When any purchasing needs arise, the purchasing center will organize the application department, the technical support department, the finance department, the legal compliance department and other relevant personnel to form a purchasing team to collect extensive information of the suppliers in terms of qualifications, service capabilities, market reputation, recent financial position and other aspects, review the suppliers' operating conditions using sky-eye cameras, and finally give a comprehensive score to determine the short-listed qualified suppliers and procurement methods. In addition, we take into consideration the performance of suppliers in terms of environmental friendliness and occupational health. Our supplier management policies and rules are applicable to all of the Company's existing suppliers. The specific procurement process is detailed below:



### 2. Supplier Evaluation Mechanism

We regularly inspect, evaluate and assess the performance, service quality and effectiveness of the suppliers in the list of qualified suppliers and adopt a hierarchical management system in respect of suppliers based on the results of assessment. Among which, for high-performance suppliers, they will be given priority in our consideration for next cooperation. For under-performance suppliers, a meeting will be arranged for analyzing reasons and formatting a rectification plan. For suppliers that are judged to be banned, they will enter the supplier blacklist and we will no longer cooperate with them. We eliminate unqualified suppliers in a timely manner based on the results of regular assessments to ensure the maintenance and updating of the supplier database.

## XI. Driving Responsible Supply Chain

### 3. Communication and Cooperation with Suppliers

We uphold the principle of win-win cooperation and insist on maintaining good communication and cooperation with suppliers. We conduct real-time consultation and exchanges with suppliers on market trends and supply conditions to resolve issues of mutual concern in a timely manner. At the same time, we regularly invite cooperating suppliers to participate in supplier exchanges and conferences, develop strategic cooperative relationships, promote efficient allocation of resources, giving play to the value-adding role of the supply chain.

Case Sharing:

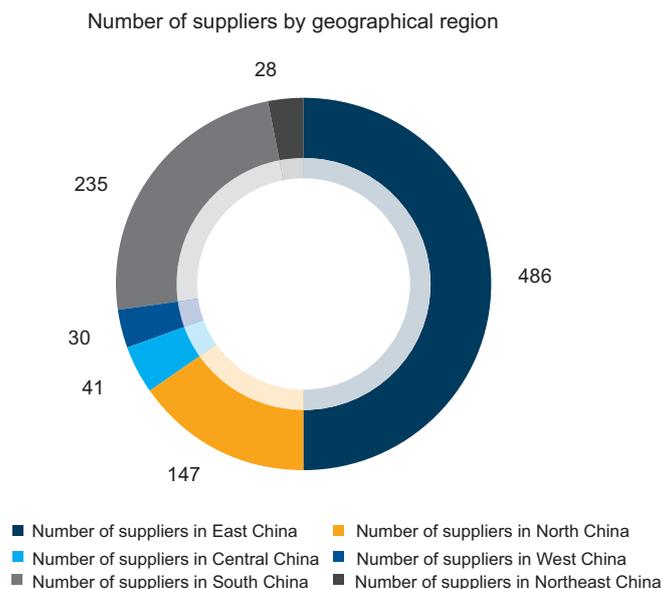
#### 2019 Health Mall Merchants Conference

On 23 May 2019, Ping An Good Doctor held the 2019 Health Mall Merchants Conference in Shanghai, delivering the future development direction of the health mall products to merchants, and proposing new solutions on the product management of suppliers from multiple perspectives including marketing strategy, personalized empowerment and improvement in user experience. After the conference, Ping An Good Doctor held the 2018 Excellent Merchants Awards ceremony to encourage suppliers to continuously improve their service standards. This activity has broken barriers between the platform and the merchant, promoting the exchange and cooperation between Ping An Good Doctor and suppliers of the health mall, conducive to the realization of a new ecology of “ecological empowerment, smart leadership” along the supply chain.



2019 Health Mall Merchants Conference

As of 31 December 2019, we had altogether 967 cooperative suppliers and their distribution by region is set out as below:



# Environmental, Social and Governance Report

## XII. Forging a Green Environment

*ESG issues addressed in this section:*

- Energy consumption and use of resources
- Green office and environmental protection

*SDGs addressed in this section*



Ping An Good Doctor resolutely assumes the responsibility as a corporate citizen in actively responding to the national call for ecological and environmental protection, doing our part in addressing global climate change. Strictly abiding by the Environmental Protection Law of the PRC, the Energy Conservation Law of the PRC and other laws and regulations, we attach great importance to the work on environmental protection, energy conservation and emission reduction. Our online consultation operations enable users to get medical consultation services without leaving home, thus saving the time of traveling to offline physical hospitals. While reducing the burden on hospitals and facilitating convenience among users, it has also reduced exhaust and greenhouse gas emissions from vehicles resulting from travel. In light of the nature of our business, our waste emissions mainly come from greenhouse gases generated from the use of energy, office waste, and small volumes of waste electronics. There was neither any direct discharge to water and land nor any significant environmental impact. We did not have any difficulty in tapping water from appropriate water sources during the Reporting Period.

### 1. Green Office

We adopt a series of green measures in our daily operations to implement the Company's green operating philosophy.

#### 1) Paperless Office

We advocate paperless office. Through the use of the online EOA system platform, we focus on a series of tasks including official document processing, transaction processing, and fee application, covering various modules such as file approval, system management, file tracking, file retrieve and authorization. In addition to bringing convenience for employees, simplifying workflow has greatly reduced the use of printing paper and the generation of garbage.

#### 2) Energy Saving Measures

We have adopted a series of energy saving and environmental protection measures, striving to reduce the waste of energy and resources.

- We have replaced lamps in the workplace with energy-saving lamps, and electrical appliances purchased are all energy-saving products.
- The Company's administrative department conducts inspections of the workplace at 8 pm every day, and turns off lights in unmanned areas to ensure that resources are not wasted.
- During the year, we rationalized, integrated and standardized the office space under the premise that the Company's daily office needs are met, effectively decreasing the area of the workplace and reducing the unnecessary use of energy.
- We register the collection of hospitality supplies, such as mineral water, to control consumption.

## XII. Forging a Green Environment

### 3) Green Office Environment

During the year, we repeatedly conducted air quality inspection in the workplace to ensure that the air quality after renovation meets the qualified standards and that the health of employees is protected. Every 50 square meters of our workplace is equipped with specialized formaldehyde-removing air purifiers. While placing many green plants, we have laid a large amount of activated carbon in the functional areas, such as conference rooms and offices, and the open office areas, striving to create a good green office environment.

## 2. Green Publicity

We pay attention to improving the awareness of environmental protection among our employees. Water-saving signs are posted in the restrooms and tea rooms. Gentle reminders are placed in the printing area to encourage the full use of paper. In daily work, we advocate employees to commute by green transportation and to reduce the use of disposable eating utensils, etc. Since 3 September 2019, the Company has gradually advocated the importance of waste classification and has provided tips for the classification of waste. Environmentally-friendly waste bins capable of waste segregation were placed in the workplace to promote the smooth progress of waste classification. In addition, during the year, we held the "Earth Hour" lights-out event to encourage employees to save energy and reduce emissions, mitigating climate change with their own actions.

## 3. Green Products

We strive to be environmentally friendly with respect to the products provided by Ping An Good Doctor. During the year, we made the following optimizations to the "One-minute Clinic", such that the overall power consumption of "One-minute Clinics" reduced by 43%:

- We changed the shell of the drug vending machine into a foamed box to reduce heat transfer inside and outside the box, improving thermal insulation performance and thus reducing the use of energy.
- We replaced the display screen of the drug vending machine with double-layer insulating glass to enhance thermal insulation performance while improving the display effect.
- We added a temperature and humidity monitoring function to the drug vending machine, whereby appropriate temperature and humidity values can be set according to regulatory requirements and seasonal changes. This has effectively controlled the running time of the compressor, thereby saving energy consumption.
- We changed the fan control of the consultation room from a physical switch to an infrared human body sensor control to prolong the life of the fan and further reduce the use of energy.

Key Environmental Performance Data for 2019

Key performance indicators	Unit	Usage/emission
Greenhouse gas emission	tons	8,616.385
Greenhouse gas emission intensity	tons/person	2.971
Waste electronic products	tons	1.144
Waste ink cartridges/toner cartridges	tons	0.053
Weight of waste lamps and bulbs	tons	0.093

## XII. Forging a Green Environment

Key performance indicators	Unit	Usage/emission
Waste batteries	tons	0.018
Total hazardous wastes	tons	1.308
Hazardous waste intensity	tons/person	0.0005
Total office wastes	tons	143.549
Office waste intensity	tons/person	0.049
Office paper usage	tons	2.957
Electricity consumption	kilowatts	10,633,653.841
Electricity consumption intensity	kilowatts/person	3,666.777
Total energy consumption	gigajoules	38,281.154
Energy consumption intensity	gigajoules/person	13.200
Total water consumption	cubic meters	27,255.720
Water consumption intensity	cubic meters/person	9.399

### Notes to environmental data:

- The environmental data collected covers the period from 1 January 2019 to 31 December 2019. The relevant data is collected from seven workplaces (Xuhui, Riyueguang and Zhangjiang in Shanghai, Beijing, Guangzhou, Qingdao and Hefei) and two computer rooms (Baixin and Waigaoqiao in Shanghai) of Ping An Healthcare and Technology Company Limited.
- During the year, the Company was not involved in any emission of greenhouse gases (Scope 1) in the course of business development. The greenhouse gas emissions were the emission of greenhouse gases (Scope 2) arising from the use of 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 – Baseline Emission Factors for Regional Power Grids in China from the Ministry of Ecology and Environment of the People's Republic of China.
- The Company's total energy consumption in 2019 was indirect energy consumption arisen from the use of indirect energy (that is, purchased electricity). Consumption factors are determined under the General Principles for the Calculation of Comprehensive Production Energy Consumption (GB2589-2008T).
- Office wastes are non-hazardous wastes generated in the office area.
- Total hazardous wastes refer to the amount of waste electronics, waste ink cartridges/toner cartridges, waste lamps and bulbs and waste batteries produced. During the year, the Company took proactive measures to reduce its environmental impact, including the Company's recycling and disposal of 0.05 tons of ink cartridges and toner cartridges through suppliers and its recycling of 1.144 tons of electronic products through relevant professional companies.
- The intensity values are calculated based on the total number of employees of the Company.
- As our operations do not involve other environment and natural resources, thus the disclosure of A3 level regarding the significant impact on environment and natural resources is not applicable.

# Environmental, Social and Governance Report

## 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; and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Disclosed	XII. Forging a Green Environment	Comply or explain
A1.1	Types of emissions and respective emissions data.	Not applicable	Ping An Good Doctor is not involved in the emission of gas pollutants. Accordingly, such indicator is not applicable.	Comply or explain
A1.2	Greenhouse gas emissions in total (in tons) and, where appropriate, Intensity (e.g. per unit of production volume, per facility).	Disclosed	XII. Forging a Green Environment	Comply or explain
A1.3	Total hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	XII. Forging a Green Environment	Comply or explain
A1.4	Total non-hazardous waste produced (in tons) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	XII. Forging a Green Environment	Comply or explain
A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed	XII. Forging a Green Environment	Comply or explain
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed	XII. Forging a Green Environment	Comply or explain

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

Serial number	ESG Indicator	Disclosure	Corresponding chapters	Disclosure responsibility
A2 General Disclosure	Policies on efficient use of resources including energy, water and other raw materials.	Disclosed	XII. Forging a Green Environment	Comply or explain
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	XII. Forging a Green Environment	Comply or explain
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	XII. Forging a Green Environment	Comply or explain
A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed	XII. Forging a Green Environment	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	XII. Forging a Green Environment	Comply or explain
A2.5	Total packaging material used for finished products (in tons) and, where appropriate, with reference to per unit produced.	Not applicable	Ping An Good Doctor is not involved in the direct provision of packaging material for finished products. Accordingly, such indicator is not applicable.	Comply or explain
A3 General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	Disclosed	XII. Forging a Green Environment	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	XII. Forging a Green Environment	Comply or explain

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

Serial number	ESG Indicator	Disclosure	Corresponding chapters	Disclosure responsibility
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	IX. Upholding a People-oriented Caring Culture	Comply or explain
B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed	IX. Upholding a People-oriented Caring Culture	Recommended disclosure
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	IX. Upholding a People-oriented Caring Culture	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	IX. Upholding a People-oriented Caring Culture	Comply or explain
B2.1	Number and rate of work-related fatalities.	Disclosed	IX. Upholding a People-oriented Caring Culture	Recommended disclosure
B2.2	Lost days due to work injury.	Disclosed	IX. Upholding a People-oriented Caring Culture	Recommended disclosure
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	IX. Upholding a People-oriented Caring Culture	Recommended disclosure
B3 General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	IX. Upholding a People-oriented Caring Culture	Comply or explain
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	IX. Upholding a People-oriented Caring Culture	Recommended disclosure
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	IX. Upholding a People-oriented Caring Culture	Recommended disclosure

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

Serial number	ESG Indicator	Disclosure	Corresponding chapters	Disclosure responsibility
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	IX. Upholding a People-oriented Caring Culture	Comply or explain
B4.1	Description of measures to review employment practices to avoid child and forced labor.	Disclosed	IX. Upholding a People-oriented Caring Culture	Recommended disclosure
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	IX. Upholding a People-oriented Caring Culture	Recommended disclosure
B5 General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	XI. Driving Responsible Supply Chain Comply or explain	Comply or explain
B5.1	Number of suppliers by geographical region.	Disclosed	XI. Driving Responsible Supply Chain	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	XI. Driving Responsible Supply Chain	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	VI. Compliant Operation of Listed Company VII. Adhering to Quality Health VIII. Providing Services for Quality Life	Comply or explain
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Disclosed	VII. Adhering to Quality Health	Recommended disclosure
B6.2	Number of products and service related complaints received and how they are dealt with.	Partially disclosed	VIII. Providing Services for Quality Life	

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

Serial number	ESG Indicator	Disclosure	Corresponding chapters	Disclosure responsibility
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	VII. Adhering to Quality Health	Recommended disclosure
B6.4	Description of quality assurance process and recall procedures.	Disclosed	VII. Adhering to Quality Health	Recommended disclosure
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	VIII. Providing Services for Quality Life	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	VI. Compliant Operation of Listed Company	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	VI. Compliant Operation of Listed Company	Recommended disclosure
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	VI. Compliant Operation of Listed Company	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	X. Practicing Social Responsibility	Comply or explain
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	Disclosed	X. Practicing Social Responsibility	Recommended disclosure
B8.2	Resources contributed (e.g. money or time) to the focus areas.	Disclosed	X. Practicing Social Responsibility	Recommended disclosure

# Environmental, Social and Governance Report

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
A1 Emissions		<p>Environmental Protection Law of the PRC</p> <p>Appraising of Environmental Impacts Law of the PRC</p> <p>Regulations on Administration of Construction Project Environmental Protection</p> <p>Rules on the Administration of Acceptance Inspection of Construction Project Environmental Protection</p> <p>Rules on the Administration of Filing of Environmental Impact Registration Form of the Construction Project</p> <p>Noise Pollution Prevention Law of the PRC</p> <p>Atmospheric Pollution Prevention and Control Law of the PRC</p> <p>Water Pollution Prevention and Control Law of the PRC</p> <p>Ocean Environmental Protection Law of the PRC</p> <p>Administrative Regulations of the PRC on the Prevention of Pollution and Damage of Marine Environment by Terrigenous Pollutant</p> <p>Prevention and Control of Solid Waste Pollution of the PRC</p> <p>National Hazardous Waste Inventory</p> <p>Measures on Duplicated Form for Transfer of Hazardous Wastes</p> <p>“Thirteenth Five-Year” Work Plan for Greenhouse Gas Emission Control”</p>
A2 Use of Resources	Code of Conduct for Employees of Ping An Health Cloud Company Limited	<p>Energy Conservation Law of the PRC</p> <p>Recycling Economy Promotion Law of the PRC</p>

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
A3 Environment and Natural Resources	Code of Conduct for Employees of Ping An Health Cloud Company Limited	Law of the PRC on the Prevention and Control of Air Pollution  Environmental Protection Law of the PRC
B1 Employment	<p>Recruitment Management System of Ping An Health Cloud Company Limited</p> <p>Recruitment Management HR Operation Manual of Ping An Health Cloud Company Limited</p> <p>Code of Conduct for Employees of Ping An Health Cloud Company Limited</p> <p>Administrative Measures on Relatives of Ping An Health Cloud Company Limited</p> <p>Implementation Standard for the Handling of Violations of Regulations of Ping An Health Cloud Company Limited</p> <p>Administrative Measures on Review Commissioner of Ping An Health Cloud Company Limited</p> <p>Personnel Promotion Management Rules of Ping An Health Cloud</p> <p>Performance Accountability Management System of Ping An Health Cloud</p> <p>Compensation Management System of Ping An Health Cloud</p> <p>Guideline on Remuneration Management of Ping An Health Cloud</p> <p>Basic Administrative Measures on Sales Center Customer Relationship Managers of Ping An Good Doctor</p>	<p>Labor Law of the PRC</p> <p>Labor Contract Law of the PRC</p> <p>Law of the PRC on Employment Promotion</p> <p>Social Insurance Law of the PRC</p> <p>Regulations on Minimum Wage</p> <p>Regulations on the Administration of Housing Provident Funds</p> <p>Law of the PRC on the Protection of Women's and Child Rights and Interests</p> <p>Law on Licensed Medical Practitioners of the PRC</p> <p>Administrative Measures for the Registration of Medical Practitioners</p> <p>Regulations on Administration on Practice of Rural Doctors</p> <p>Trial Regulations on Duties of Health Technical Personnel</p> <p>Admission and Rating System of Internet Hospital Practitioners</p>

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
B2 Health and Safety	Code of Conduct for Employees of Ping An Health Cloud Company Limited	Labor Law of the PRC  Prevention and Control of Occupational Diseases Law of the PRC  Work Safety Law of the PRC  Fire Prevention Law of the PRC  Law of the PRC on Emergency Response  Regulations on the Safety Administration of Hazardous Chemicals  Regulations on the Reporting, Investigation and Handling of Production Safety Accidents  Interim Regulations on the Investigation and Treatment of Hidden Dangers in Safety Production Accidents  Regulation on Work-Related Injury Insurance of the PRC  Provisions on the Supervision and Administration of Occupational Health in the Workplace  Occupational Disease Classification and Catalog  Site Safety Requirements of Computing Stations  General Specification for Electronic Computer Sites
B3 Development and Training	Team Training Management Basic Manual of Ping An Health Cloud  Regulations on Training Project Establishment SOP and Use of Training Expense of Ping An Good Doctor	

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
B4 Labor Standards	<p>Recruitment Management System of Ping An Health Cloud Company Limited</p> <p>Employee Overtime Management System of Ping An Health Cloud Company Limited</p> <p>Attendance and Vacation System of Ping An Health Cloud Company Limited</p> <p>Customer Service Team Leave System</p>	<p>Provisions on Prohibition of Child Labor</p> <p>Labor Law of the PRC</p> <p>Labor Contract Law of the PRC</p> <p>Regulation on Public Holidays for National Annual Festivals and Memorial Days</p> <p>Implementation Measures for Paid Annual Leave for Employees of Enterprises</p> <p>Provisions on Enterprise Employees Illness or Non-work Related Injury Medical Period</p>
B5 Supply Chain Management	<p>One-Minute Clinic Team Operation Practices of Ping An Health Cloud</p> <p>Business Violation Points Management Rules of Ping An Good Doctor App</p> <p>Business Cooperation Framework Agreement of Ping An Good Doctor App</p> <p>Administrative Measures for Prohibited Goods Management of Ping An Health Cloud</p> <p>Guidelines for E Platform Management of Ping An Purchasing Management</p> <p>e-Purchasing Platform Commodity Management Process</p> <p>Purchasing Management Measures of Ping An Health Cloud Company Limited</p> <p>Supplier Settlement Process of Ping An Good Doctor</p> <p>Interim Management Measures for Sales Center Suppliers (Personal Edition)</p> <p>Quality Inspection Rules of Ping An Good Doctor App</p> <p>Administrative Measures for Product Release of Ping An Good Doctor App</p>	<p>Tendering and Bidding Law of the PRC</p> <p>General Provisions of the Civil Law of the PRC</p> <p>Tort Liability Law of the PRC</p>

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
	<p>Administrative Measures for Product Price of Ping An Good Doctor App</p> <p>Interim Administration Measures for Product Display on Ping An Health Cloud</p> <p>After-Sales Service Management Rules of Ping An Good Doctor</p> <p>Rules on Handling After-Sales Service Problems by Ping An Good Doctor</p> <p>Administrative Measures for After-Sales Service of Ping An Good Doctor</p> <p>Administrative Measures for Operational Purchasing of Online Marketing Department of Ping An Health Cloud</p> <p>Administrative Measures for Purchasing of B2B Business Center</p> <p>Supplier Entry Standards</p> <p>Online Supplier Management System</p> <p>Tendering and Purchasing Process of Ping An Health Cloud</p> <p>Reward and Punishment Measures on Management of Physical Examination Suppliers</p> <p>Standardized Measures on Management of Physical Examination Suppliers</p> <p>Standards and Precautions on Contracting of Medical Beauty Cooperation</p> <p>Online Assessment of Medical Beauty Clinics</p> <p>Development Process of Dental and Chinese Medicine Clinics</p> <p>Catalog of Centralized Purchasing of Goods and Services</p> <p>Customer Service Quality Standards</p>	

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
B6 Product Responsibility	<p>Front End JavaScript Coding Practices of Ping An Health Cloud</p> <p>Manual of Code of Practice of MySQL of Ping An Health Cloud</p> <p>Regulations on Use of Domain Names of Ping An Health Cloud</p> <p>Rules on Writing Startup Script of Ping An Health Cloud</p> <p>Coding Practices of Ping An Healthcare of Ping An Health Cloud</p> <p>Fault Tracking and Feedback Guide of Ping An Health Cloud</p> <p>Administrative Measures for Demand Review Process of Ping An Health Cloud</p> <p>Administrative Measures for Demand Change Process of Ping An Health Cloud</p> <p>Administrative Measures for Projects of Ping An Health Cloud</p> <p>Administrative Measures for Health Data Security of Ping An</p> <p>Policy on the Information Security System of Ping An Health Cloud Company Limited</p> <p>Policy on the Data Security System of Ping An Health Cloud Company Limited</p> <p>Administrative Measures for the Protection of Trade Secrets of Ping An Health Cloud</p> <p>Advertisement Publishing Standards of Ping An Health Cloud</p> <p>Information Audit Rules of Ping An of Ping An Health Cloud</p> <p>Routine Management Rules for Hospitals of Ping An Health Cloud</p>	<p>E-commerce Law of the PRC</p> <p>Food Safety Law of the PRC</p> <p>Administrative Measures for Food Business Licensing</p> <p>Implementation Regulations of the Food Safety Law of the PRC</p> <p>Regulations on the Supervision and Administration of Medical Devices</p> <p>Supervision and Management Measures on Medical Devices Management</p> <p>Administrative Measures Governing the Good Supply Practice of Medical Devices</p> <p>Measures for the Supervision and Administration of Online Sale of Medical Devices</p> <p>Law on Protection of the Rights and Interests of Consumers of the PRC</p> <p>Advertising Law of the PRC</p> <p>Interim Measures for Administration of Internet Advertising</p> <p>Measures for Drug Advertisements Examination</p> <p>Administration Measures for Medical Advertisements</p> <p>Measures for the Examination of Medical Device Advertisements</p> <p>Interim Measures for Internet Culture Management</p> <p>Regulations on the Administration of Radio and Television</p>

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
	Medical Record Management Rules for Hospitals of Ping An Health Cloud	Regulations on the Production, Operation and Management of Radio and Television Programs
	Pharmaceutical Management Rules for Hospitals of Ping An Health Cloud	Law of the PRC on Network Security
	Interim Administrative Measures for Complaints Processing by Customer Service Staff of Merchants of Ping An Health Cloud	Administrative Measures for Online Transactions
	Management Rules for Health Internet IDC Computer Rooms	Measures for the Security Review of Network Products and Services
	Emergency Response Rules for Health Internet System	Information Security and Confidentiality Standards
	Administrative Measures for Bugs of Ping An Health Cloud	Information Security Technology: Regulations on Personal Information Security
	Examination Rules for Red, Yellow and Green Weeks of Ping An Health Cloud	Specifications for Data Center Design
	Administrative Measures for Icons of Ping An Good Doctor	Measures for the Administration of Internet Drug Information Services
	Administrative Measures for Visual Design of Ping An Good Doctor	Provisional Regulations on the Review and Approval of Internet Pharmaceutical Trades and Services
	Design Standards for Front Page Initiation Page and Advertisement Flash Screen of Ping An Good Doctor	Administrative Measures for Internet-based Consultations (for Trial Implementation)
	Customer Service Quality Standards of Ping An Health Cloud	Administrative Measures for Internet Hospitals (for Trial Implementation)
	Provisional Regulations on Return and Replacement of Goods of Ping An Health Cloud	Regulations for the Management of Telemedicine Services (for Trial Implementation)
	Administrative Measures for Data Security Event of Ping An Health Cloud	Management Rules for Internet Hospitals Drug Administration Law of the PRC
	Administrative Measures for Data Security Organization of Ping An Health Cloud	Pharmaceutical Administration Law of the People's Republic of China
	Administrative Measures for Data Categorization and Classification of Ping An Health Cloud	Implementation Regulations of the Drug Administration Law of the PRC
		Administrative Measures for Classification of Prescription and Non-prescription Drugs

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
	Administrative Measures for Life Cycle Security of Data of Ping An Health Cloud	Provisional Regulations on the Circulation Management of Prescription and Non-prescription Drugs
	Administrative Measures for Data Desensitization and Encryption Baseline of Ping An Health Cloud	Measures for the Supervision and Administration of Drug Circulation
	Rules and Regulation on Printing of Card Products of Ping An Good Doctor	Quality Management Rules for Drug Trading
	Key Points and New Specifications of Template Quality Control Review	Measures for the Administration of Pharmaceutical Trade Licenses
	XMIND Production Specifications	Certification Management Measures of the Quality Management Rules for Drug Trading
	Guidelines for Second-line Operations for VIP Registration	Administrative Measures for Prescription Drugs
	Registration Process SOP	Regulations on Medical Record Management for Medical Institutions
	Arrangement Process of Domestic Hospitalization of 360 Medical Treatment	Rules on Prescription Audit for Medical Institutions
	Service of On-site Consultation SOP	Pharmaceutical Management Rules for Medical Institutions
	Physical Examination Pricing and Rules of Operational Services of Enterprises (Group)	Regulations on the Administration of Medical Institutions
	Procedures for Pre-filling and Removing Products of Medical Beauty, Dental and Chinese Medicine Institutions	Prescription Review Management Rules for Hospitals (for Trial Implementation)
	Online SOP for Products of Medical Beauty, Dental and Chinese Medicine Institutions	Regulations on Major Medical Negligence and Medical Accident Reporting Rules
	Rules on the Signing of Physical Examination Agreement	Some Rules on Regulating the Order of Internet Information Service Market
	Classification and Procedures of Consultation on Physical Examination	Decision of the Standing Committee of the National People's Congress on Maintaining Internet Security
	Physical Examination Exhibition Industry and Order Processing SOP	Outline of National Medical and Health Service System Planning (2015-2020)
	Regulations for Operation and Maintenance of Ping An Health Cloud	Measures for the Management of Internet Information Services
	NPS Appraisal System of Ping An Health Cloud	

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
	Online Diagnosis and Treatment Specifications	Regulations on Technical Measures for Internet Security Protection
	Online Treatment Red-line	Information Service Management Rules for Mobile Internet Applications
	Three-tier Quality Control System for Online Consultation	Berne Convention for the Protection of Literary and Artistic Works World Copyright Convention
	Online Diagnosis and Treatment Management System	Protocol on Trade-Related Intellectual Property Rights
	Regulations on the Administration of Antibiotics of Ping An Health Cloud	Copyright Law of the PRC
	Administrative Regulations for Diagnosis and Treatment Methods without Evidence-based Medicine	Regulations on the Protection of Information Dissemination Rights of Networks
	Message Quality Control Proposal	Measures for the Registration of Copyright in Computer Software
	Online Electronic Prescription Management Measures	Regulations on the Protection of Computer Software
	Treatment Proposal for Classification of Problematic Cases	Trademark Law of the PRC
	Professional Quality Appraisal Standards for Cases	Implementation Regulations of the Trademark Law of the PRC
	Quality Control Proposal for Health Records	Patent Law of the PRC
	Design Specifications for Mobile Terminal	Implementation Rules of Patent Law of the PRC
	Operational Measures of Platform	Administrative Measures for the Clinical Application of Antibacterial Drugs
	NPS Investigation Related System	Guidelines for Clinical Application of Antimicrobial Drugs
	Basic Administrative Measures on Sales Center Customer Relationship Managers of Ping An Good Doctor	Guidelines for On-site Inspection of Quality Management Standards of Drug Operation
	Operational Management System for Inventory Control of Card Products	Key Tasks in 2019 for Deepening the Reform of the Healthcare System
	Measures for the Management of Performance Appraisal for Call Center Personnel	Healthy China Initiative (2019-2030)
	Release Process and Measures of Client Version	

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
	<p>Measures for the Change of Donkey</p> <p>Measures for the Change of MySQL DDL</p> <p>Regulations on the Use of Redis System</p> <p>Definitions of Change Process and Change Level</p> <p>Deployment Measures for the Third Party System</p> <p>Administrative Measures for Testing Process of Ping An Health Cloud</p> <p>Administrative Measures for Fault Process of Ping An Health Cloud</p> <p>Administrative Measures for Research and Development Process of Ping An Health Cloud</p> <p>Administrative Measures for Process on Database of Ping An Health Cloud</p> <p>Administrative Measures for Demand Freezing Process of Ping An Health Cloud</p> <p>Administrative Measures for Research and Development Process of Mobile App</p> <p>Regulations for the Management of Service Quality of the Clinic Alliance</p> <p>Service Standards and Conversation Techniques of Clinic Alliance</p> <p>Service Standards of Clinic Alliance</p> <p>Basic Measures on Advertising Review</p> <p>User Privacy Protection Policy of Ping An Good Doctor</p> <p>Quality Management System for Third-party Transportation of Pharmaceutical Products</p> <p>Quality Management System for Nabaite Pharmacy</p> <p>Work Orders Management System</p>	<p>Guidelines on Optimizing Prices of "Internet +" Medical Services and Social Health Insurance Payment Policies</p> <p>Action Outline for Promoting High-quality Development of Healthcare Industry (2019-2022)</p> <p>Administrative Measures for Health Insurance</p>

## Appendix II. Internal Policies and List of Laws and Regulations

ESG Indicators	Internal system	Compliance with rules and regulations
B7 Anti-corruption	<p>Administrative Measures for the Protection of Trade Secrets of Ping An Health Cloud</p> <p>Operational Risk and Internal Control Management System of Ping An Health Cloud Company Limited</p> <p>Implementation Standard for the Handling of Violations of Regulations of Ping An Health Cloud Company Limited</p> <p>Inspection and Verification Charter of Ping An Health Cloud</p> <p>Management System on Petition of Ping An Health Cloud</p> <p>“Red, Yellow, Blue” Brand Punishment System of Ping An Healthcare and Technology Company Limited</p> <p>Comprehensive Risk Management Measures of Ping An Healthcare and Technology Company Limited</p> <p>Anti-fraud Management Measures of Ping An Healthcare and Technology Company Limited</p> <p>Management Policy of Conflict of Interest of Employees of Ping An Health Cloud</p> <p>Measures for Case Responsibility Investigation and Management of Ping An Health Cloud</p> <p>Guidelines for Anti-Money Laundering List Monitoring and Sanctions Compliance Management of Ping An Health Cloud Company Limited</p> <p>Anti-Money Laundering Management Policy</p>	<p>Anti-unfair Competition Law of the PRC</p> <p>Interim Provisions on Banning Commercial Bribery</p> <p>Anti-monopoly Law of the PRC</p> <p>Criminal Law of the People’s Republic of China</p> <p>Audit Law of the PRC</p> <p>Internal Audit Provisions of the National Audit Office</p> <p>Basic Norms for Enterprise Internal Control</p> <p>Regulations on Petition</p>
B8: Community Investment		Charity Law of the PRC

# 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 148 to 221 which comprise:

- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- 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 2019, 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.

## Independent Auditor's Report

### 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><b>Impairment of goodwill</b></p> <p>Refer to note 2.10(a), 4(a) and 15 to the consolidated financial statements.</p> <p>As at 31 December 2019, 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 periodic evaluation of impairment indications as to whether indicators of impairment exist by corroborating with the 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 in the current year.</p>

## Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Provision for sales promotion</b></p> <p>Refer to note 4(c), 6 and 30 to the consolidated financial statements.</p> <p>As at 31 December 2019, 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 RMB202.3 million, representing 33% 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 with respect to the "step-for-reward" redemption plan and the newly launched "step-for-reward" mutual aid plan. Both of the assumptions 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 of the "step-for-reward" redemption plan and of the "step-for-reward" mutual aid plan 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>

## Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Principal versus agent considerations in revenue recognition</b></p> <p>Refer to note 2.22, 4(b) and 5 to the consolidated financial statements.</p> <p>During the year ended 31 December 2019, the Group recognised revenue of approximately RMB4,015 million generated from consumer healthcare and health mall, representing 79% 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 in certain circumstances 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, 11 February 2020

# Consolidated Income Statement

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
Revenue	5	5,065,429	3,337,849
Cost of sales	5, 6	(3,894,000)	(2,425,911)
<b>Gross profit</b>		<b>1,171,429</b>	911,938
Selling and marketing expenses	6	(1,206,673)	(1,238,451)
Administrative expenses	6	(1,075,307)	(994,706)
Other income	10	41,895	28,227
Other gains – net	11	109,267	183,493
<b>Operating loss</b>		<b>(959,389)</b>	(1,109,499)
Finance income	12	265,897	201,910
Finance costs	12	(13,208)	–
Finance income – net	12	252,689	201,910
Share of losses of associates and joint ventures	20	(27,429)	(4,288)
<b>Loss before income tax</b>		<b>(734,129)</b>	(911,877)
Income tax expense	13	(12,587)	(1,178)
<b>Loss for the year</b>		<b>(746,716)</b>	(913,055)
<b>Loss attributable to:</b>			
– Owners of the Company		(733,860)	(911,662)
– Non-controlling interests		(12,856)	(1,393)
		<b>(746,716)</b>	(913,055)
<b>Loss per share attributable to owners of the Company</b>			
– Basic (RMB yuan)	14	(0.73)	(0.97)
– Diluted (RMB yuan)	14	(0.73)	(0.97)

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

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

	Year ended 31 December		
	Note	2019	2018
<b>Loss for the year</b>		<b>(746,716)</b>	(913,055)
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		<b>8,588</b>	–
Other comprehensive income for the year net of tax		<b>8,588</b>	–
<b>Total comprehensive loss for the year</b>		<b>(738,128)</b>	(913,055)
<b>Total comprehensive loss attributable to:</b>			
– Owners of the Company		<b>(726,826)</b>	(911,662)
– Non-controlling interests		<b>(11,302)</b>	(1,393)
		<b>(738,128)</b>	(913,055)

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

# Consolidated Statement of Financial Position

As at 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	As at 31 December	
		2019	2018
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	15	966,763	966,763
Property, plant and equipment	17	186,445	172,473
Right-of-use assets	16	93,986	–
Other intangible assets	18	106,209	86,047
Investments in associates	19	381,712	250,000
Investments in joint ventures	20	127,833	5,419
Prepayments and other receivables	23	6,915	–
Financial assets at amortized cost	24	1,515,885	–
Financial assets at fair value through profit or loss	25	15,730	–
Term deposits	26	499,764	2,799,031
<b>Total non-current assets</b>		<b>3,901,242</b>	<b>4,279,733</b>
<b>Current assets</b>			
Inventories	21	74,768	38,570
Trade receivables	22	649,384	431,011
Contract assets	5	141,119	60,920
Prepayments and other receivables	23	222,845	371,552
Financial assets at amortized cost	24	575,055	–
Financial assets at fair value through profit or loss	25	1,849,270	520,738
Term deposits	26	–	5,744,512
Cash and cash equivalents	26	4,965,455	926,485
<b>Total current assets</b>		<b>8,477,896</b>	<b>8,093,788</b>
<b>Total assets</b>		<b>12,379,138</b>	<b>12,373,521</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	27	33	33
Treasury shares		(2)	(2)
Reserves	28	13,518,868	13,331,702
Accumulated losses		(3,870,138)	(3,132,813)
<b>Total equity attributable to owners of the Company</b>		<b>9,648,761</b>	<b>10,198,920</b>
Non-controlling interests		20,726	68,372
<b>Total equity</b>		<b>9,669,487</b>	<b>10,267,292</b>

# Consolidated Statement of Financial Position

As at 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	As at 31 December	
		2019	2018
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Lease liabilities	16	44,431	–
Trade and other payables	30	47	47
<b>Total non-current liabilities</b>		<b>44,478</b>	47
<b>Current liabilities</b>			
Trade and other payables	30	1,776,526	1,487,530
Contract liabilities	5	837,486	618,652
Lease liabilities	16	51,161	–
<b>Total current liabilities</b>		<b>2,665,173</b>	2,106,182
<b>Total liabilities</b>		<b>2,709,651</b>	2,106,229
<b>Total equity and liabilities</b>		<b>12,379,138</b>	12,373,521

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

The consolidated financial statements on pages 148 to 221 were approved by the Board of Directors on 11 February 2020 and were signed on its behalf:

**WANG Tao**  
Director

**WANG Wenjun**  
Director

# Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

(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			
<b>As at 1 January 2019</b>		33	13,331,702	(2)	(3,132,813)	10,198,920	68,372	10,267,292	
Loss for the year		-	-	-	(733,860)	(733,860)	(12,856)	(746,716)	
Other comprehensive income for the year		-	7,034	-	-	7,034	1,554	8,588	
Share-based payments	29	-	91,805	-	-	91,805	-	91,805	
Exercise of share options	29	-	91,953	-	-	91,953	-	91,953	
Deemed disposals of non-wholly owned subsidiaries		-	(3,626)	-	-	(3,626)	(29,943)	(33,569)	
Acquisition of non-controlling interests in subsidiaries		-	-	-	(3,465)	(3,465)	(6,401)	(9,866)	
<b>As at 31 December 2019</b>		33	13,518,868	(2)	(3,870,138)	9,648,761	20,726	9,669,487	

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Note	Share capital	Reserves	Treasury shares	Accumulated losses	Total			
<b>As at 1 January 2018</b>		28	6,255,055	(2)	(2,221,119)	4,033,962	-	4,033,962	
Change in accounting policy		-	-	-	(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	27,28	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	34	-	-	-	-	-	6,971	6,971	
Share-based payments	29	-	126,945	-	-	126,945	-	126,945	
Exercise of share options	29	-	1,004	-	-	1,004	-	1,004	
<b>As at 31 December 2018</b>		33	13,331,702	(2)	(3,132,813)	10,198,920	68,372	10,267,292	

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

# Consolidated Statement of Cash Flows

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

	Note	Year ended 31 December	
		2019	2018
<b>Cash flows from operating activities</b>			
Cash used in operations	32(a)	(491,952)	(1,084,396)
Income tax paid		(12,252)	(797)
<b>Net cash used in operating activities</b>		<b>(504,204)</b>	<b>(1,085,193)</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of property, plant and equipment and intangible assets		1,784	143
Payments for property, plant and equipment and intangible assets		(133,023)	(197,660)
Payment for business combinations, net of cash acquired		–	(950,826)
Proceeds from sales of financial assets at fair value through profit or loss		1,890,472	1,406,011
Payments for financial assets at fair value through profit or loss		(5,246,384)	(1,561,080)
Payments for investments in associates		(131,063)	(250,000)
Payments for investments in joint ventures		(49,418)	–
Deemed disposals of subsidiaries, net		(118,649)	–
Payments for acquisition of non-controlling interests in subsidiaries		(9,866)	–
Interest received from term deposits with initial term of over three months		251,250	6,488
Proceeds from term deposits with initial term of over three months		8,521,540	326,824
Payments for term deposits with initial term of over three months		(500,000)	(8,336,960)
<b>Net cash generated from/(used in) investing activities</b>		<b>4,476,643</b>	<b>(9,557,060)</b>
<b>Cash flows from financing activities</b>			
Payments for lease liabilities		(67,149)	–
Capital injection from non-controlling interest shareholders		–	51,374
Proceeds from exercise of share options		75,974	1,004
Proceeds from issue of ordinary shares		–	7,099,594
Payments for ordinary shares issuance costs		–	(157,355)
Interest received from listing subscription deposits		–	20,959
<b>Net cash generated from financing activities</b>		<b>8,825</b>	<b>7,015,576</b>
Net increase/(decrease) in cash and cash equivalents		3,981,264	(3,626,677)
Cash and cash equivalents at the beginning of the year	26	926,485	4,594,641
Effects of exchange rate changes on cash and cash equivalents		57,706	(41,479)
<b>Cash and cash equivalents at the end of the year</b>	26	<b>4,965,455</b>	<b>926,485</b>

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

# Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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, Ugland 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 online medical 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”).

Glorious Peace Limited (“Glorious Peace”) is the major shareholder of the Company, holding 41.27% of the shareholding interest in the Company as at 31 December 2019.

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 2019

(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 have 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 these 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 applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019.

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Annual improvements 2017	Annual Improvements 2015-2017 cycle
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
IFRIC 23 Interpretation 23	Uncertainty over Income Tax Treatments

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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 as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

##### *New standards and interpretations not yet adopted by the Group*

Standards, amendments and interpretations that have been issued but not yet effective for the financial year beginning 1 January 2019 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 17	Insurance contracts	1 January 2022
Amendments to IAS 1 and IAS 8	Definition of Material	1 January 2020
Amendments to IFRS 3	Definition of a Business	1 January 2020

The Group has already commenced an assessment of the impact of the new or revised standards that have been issued but either not yet effective for the financial period beginning 1 January 2019 or not been early adopted by the Group which are relevant to the Group's operation. The Group believes 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 statement of financial position and performance as well as disclosure in the future.

#### 2.2 Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019. The new accounting policies are disclosed in note 2.23.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.2 Changes in accounting policies (Continued)

#### (a) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease".

#### (b) Measurement of lease liabilities

	2019
Operating lease commitments disclosed as at 31 December 2018	177,565
Discounted using the lessee's incremental borrowing rate at the date of initial application	166,596
(Less): short-term leases recognised on a straight-line basis as expense	(3,373)
(Less): low-value leases recognised on a straight-line basis as expense	(48)
<b>Lease liabilities recognised as at 1 January 2019</b>	<b>163,175</b>
Of which are:	
Current lease liabilities	83,133
Non-current lease liabilities	80,042
	<b>163,175</b>

#### (c) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.2 Changes in accounting policies (Continued)

#### (d) Adjustments recognized in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- right-of-use assets – increase by RMB166,959 thousand,
- prepayments and other receivables – decrease by RMB3,784 thousand,
- lease liabilities – increase by RMB163,175 thousand.

There was no impact on accumulated losses on 1 January 2019.

### 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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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)

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.

#### 2.3.3 Change in ownership interests

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable IFRSs.

### 2.4 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only, and the relevant activities are directed by means of contractual arrangements.

Structured entities are primarily asset management plans. Asset management plans are managed by asset managers and the plan invests in the funds in the form of debt financing to the other companies. The Group holds equity interest in these asset management plans.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.5 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.

##### (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.

#### 2.6 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.6 Joint venture (Continued)

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 2.11.

### 2.7 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.

### 2.8 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 other comprehensive income 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 – net".

### 2.9 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.9 Property and equipment and depreciation (Continued)

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.

#### 2.10 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.10 Intangible assets (Continued)

##### (a) Goodwill (Continued)

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.

##### (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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.10 Intangible assets (Continued)

##### (b) Other intangible assets (Continued)

###### (i) Software (Continued)

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) Licences

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 licences	5 years

#### 2.11 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.11 Impairment of non-financial assets (Continued)

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.

#### 2.12 Investments and other financial assets

##### (a) Classification

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.12 Investments and other financial assets (Continued)

##### (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.
- **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 – net. 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 – net.
- **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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.12 Investments and other financial assets (Continued)

#### (d) Impairment

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 22 for further details.

### 2.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position 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.

### 2.14 Inventories

Inventories are mainly merchandise and are stated at the lower of cost and net realizable value. Cost is determined using the weighted average 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.

### 2.15 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.

### 2.16 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.

### 2.17 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.18 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 equity-settled share-based compensation plan (“the Share Option Plan”) which will be awarded to employees in the future. 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.

#### 2.19 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 Membership Plans

Contract liabilities of “Health 360” plans and “Private Doctor Membership” plans (“Health Membership Plans”) comprise unearned revenue liabilities and claim liabilities.

##### Unearned revenue liabilities

Unearned revenue liabilities are recognised at inception of “Health 360” contracts and “Private Doctor Membership” contracts which are amortized over the contract coverage period. 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 related to the sale of new “Health 360” and “Private Doctor Membership” 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 over 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.

##### Claim liabilities

Other than unearned revenue liabilities, contract liabilities of Health Membership Plans 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.19 Trade and other payables (Continued)

#### (a) Contract liabilities of Health Membership Plans (Continued)

##### 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.

### 2.20 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.

### 2.21 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.21 Share-based payments (Continued)

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.

#### 2.22 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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.22 Revenue recognition (Continued)

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) *Online medical services*

Online medical 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 year, this revenue stream is primarily derived from (1) online medical services to commercial insurance policyholders; (2) online medical services provided to individual customers; (3) "Health 360" plans; (4) "Corporate 360" subscription plans; and (5) "Private Doctor Membership".

Revenue from online medical services is recognised on a gross basis as the Group is regarded as the primary obligor as long as such services are provided by its own employees 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.

#### Online medical 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 online medical services to the policyholders of Ping An Life and Ping An Health. In addition to online medical 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 online medical 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 online medical 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 online medical 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 online medical 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 online medical 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.22 Revenue recognition (Continued)

##### (a) *Online medical services* (Continued)

###### Online medical services to commercial insurance policyholders (Continued)

The contract payments are non-cancellable and non-refundable. The Group records a receivable from Ping An Life for the online medical 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 online medical 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.

###### Online medical services provided to individual customers

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

###### "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 services relating to online consultations, offline medical treatments and express pharmaceutical delivery. The services include online medical 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 plan is usually one year which co-relates the validity period of insurance contracts.

The membership plans demonstrate certain features of an insurance contract defined in IFRS 4, 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, which falls in the scope of application of IFRS 4. Accordingly, revenue of "Health 360" plan 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 2.19.

###### "Corporate 360" subscription plans

The Group offers "Corporate 360" subscription plans to corporate customers, which provide their employees the online consultation services with involvement of 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.22 Revenue recognition (Continued)

#### (a) *Online medical services* (Continued)

##### "Corporate 360" subscription plans (Continued)

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.

##### "Private Doctor Membership"

The Group provides "Private Doctor Membership" to paying users, which includes comprehensive healthcare service such as real-time consultations, second medical opinion, arrangement for offline outpatient treatment and chronic disease management.

When "Private Doctor Membership" demonstrates certain features of an insurance contract, the consideration and revenue recognition method are the same as "Health 360" plans. If the products fail to fulfill certain features of an insurance contract, the revenue of services in the products is recognised upon the individual service is rendered to customers.

#### (b) *Consumer healthcare*

The Group provides a variety of standardized service packages that integrate services provided by various healthcare institutions to meet the 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 in the package.

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.

Revenue of health products is recognised when the products are delivered while 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 credit 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.22 Revenue recognition (Continued)

##### (b) Consumer healthcare (Continued)

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 therefore, it 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.

##### (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, 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 health mall under two business models, mainly direct sales model and marketplace model.

##### Direct sales

Under 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

## 2 Summary of Significant Accounting Policies (Continued)

### 2.22 Revenue recognition (Continued)

#### (c) *Health mall* (Continued)

##### Direct sales (Continued)

In this business model, the Group either manages its own inventories or has suppliers to manage inventories and arranges delivery within 48 hours once the order is placed. In the former situation, the Group manages inventories by adjusting inventories level based on fluctuations in supply and price, seasonality, popularity of a particular product and also taken into consideration the shelf life of pharmaceutical products. The Group either makes sales promotion plans or reports inventories write-downs depending on the status of 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 as 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 for 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.

Payments for the ordered products are 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.

The Group also sells prepaid health mall cards to corporate customers under 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 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 negotiated with the vendors.

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. Payments with third-party vendors are usually settled on a monthly basis for the commissions earned during the period.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.22 Revenue recognition (Continued)

##### (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. 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. Search advertising places text-based advertisements alongside user query results. Sponsored story advertising delivers promotional marketing messages through editorial content in its platform. Advertising fee is charged primarily on per thousand impression, 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.

#### 2.23 Leases

As explained in note 2.2 above, the Group has changed its accounting policy for leases where the Group is the lessee. The new policy is described below and the impact of the change is set out in note 2.2.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.23 Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipments, vehicles and buildings and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets mainly comprise IT equipment.

#### 2.24 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).

#### 2.25 Dividend income

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

#### 2.26 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 2 Summary of Significant Accounting Policies (Continued)

#### 2.27 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.

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 2019

(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 24, Note 25 and Note 26.

##### 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 2019	31 December 2018
USD	+ 5%	133,567	173,838
USD	- 5%	(133,567)	(173,838)

##### 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.

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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)

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% (2018: 5%) higher/lower as at 31 December 2019, profit of loss for the year would have been approximately RMB86,277 thousand (31 December 2018: RMB19,695 thousand) 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, term deposits and financial assets at amortized cost, details of which have been disclosed in Note 24 and Note 26.

##### (b) Credit risk

The Group's credit risk is mainly associated with cash and cash equivalents, term deposits, financial assets at amortized cost, 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 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.

As to financial assets at amortized cost, which mainly includes debt investment schemes, the Group manages the credit risk for these investments mainly through controlling the investment scales, selecting counterparties within the financial institutions with appropriate credit quality prudently, balancing the credit risks and rate of return of investment and considering the internal and external credit rating information comprehensively.

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

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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 2019					
	On demand	Within 1 year	1 to 5 years	Over 5 years	Undated	Total
Liabilities:						
Lease Liabilities	–	53,820	55,165	–	–	108,985
Trade and other payables	–	1,321,620	–	–	47	1,321,667
	–	1,375,440	55,165	–	47	1,430,652

	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

#### 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 Membership 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 Membership Plans 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 2019

(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 Membership 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 of Health Membership Plans as at 31 December 2019 by RMB477 thousand (31 December 2018: RMB826 thousand).

##### **Contract liabilities of Health Membership Plans**

	<b>31 December 2019</b>	31 December 2018
Unearned revenue liabilities	<b>152,933</b>	45,955
Claim liabilities	<b>57,333</b>	12,028
	<b>210,266</b>	57,983

##### **Movements of contract liabilities of Health Membership Plans**

###### Movements of unearned revenue liabilities

	<b>Contract liabilities</b>
As at 31 December 2018	45,955
Increase	276,832
Decrease	(169,854)
<b>As at 31 December 2019</b>	<b>152,933</b>

###### Movements of claim liabilities

	<b>Contract liabilities</b>
As at 31 December 2018	12,028
Increase	56,378
Decrease	(11,073)
<b>As at 31 December 2019</b>	<b>57,333</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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 that 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 2019

(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 2019			Total
	Level 1	Level 2	Level 3	
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
– Equity investments	–	1,849,270	15,730	1,865,000

	As at 31 December 2018			Total
	Level 1	Level 2	Level 3	
<b>Assets measured at fair value</b>				
Financial assets at fair value through profit or loss				
– Equity investments	–	520,738	–	520,738

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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.

##### *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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 4 Critical Accounting Estimates and Judgments (Continued)

#### (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, mainly based on the walk steps counted by the Group’s mobile platform. As at 31 December 2019, the outstanding “healthy reward points” will all expire at the end of 2020. The users can use the “healthy reward points” to redeem goods in the health mall of the Group’s mobile platform without any minimum purchase amount requirements in the “step-for-reward” redemption plan. In December 2019 and January 2020, the Group announced and launched a “step-for-reward” mutual aid plan as another way for the users to consume the “healthy reward points”. A participant of mutual aid plan has to contribute a given amount of “healthy reward points” each month to a mutual point pool who needs to go through a six-month waiting period before enjoying the rights and interests of the plan. When the valid participant in the mutual aid plan is diagnosed with cancer or other critical illness, the related medical expenses will be covered by the values of the “healthy reward points” from the mutual point pool under a given upper limit per participant. There is a minimum head count requirement of the participants to maintain the normal operation of the manual point pool, and the total cash compensation to be borne by the mutual point pool is limited within the corresponding value of the entire point pool outstanding, which is based on the number of the points outstanding in the pool and the unit value of the point as determined by the Group. 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” in both the “step-for-reward” redemption plan and “step-for-reward” mutual aid plan 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 considered 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

For the year ended 31 December 2019

(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:

- Online medical services (formerly named "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 – net, finance income – 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 or 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 2019				
	Online medical services	Consumer healthcare	Health mall	Health management and wellness interaction	Total
Revenue from customers	858,021	1,112,356	2,902,186	192,866	5,065,429
Medical related services	670,301	1,107,989	31,069	–	1,809,359
Sales of goods	186,795	4,367	2,848,698	–	3,039,860
Commission income	925	–	22,419	–	23,344
Advertising and other services	–	–	–	192,866	192,866
Cost of sales	(479,092)	(711,978)	(2,667,360)	(35,570)	(3,894,000)
<b>Gross Profit</b>	<b>378,929</b>	<b>400,378</b>	<b>234,826</b>	<b>157,296</b>	<b>1,171,429</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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 2018				
	Online medical 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)
<b>Gross Profit</b>	<b>164,752</b>	<b>418,098</b>	<b>200,928</b>	<b>128,160</b>	<b>911,938</b>

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 2019, most 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	
	2019	2018
Contract assets		
Online medical services	<b>75,390</b>	7,100
Consumer healthcare	<b>65,729</b>	53,820
	<b>141,119</b>	60,920
Contract liabilities		
Online medical services	<b>212,752</b>	67,613
Consumer healthcare	<b>530,872</b>	426,739
Health mall	<b>74,948</b>	92,695
Health management and wellness interaction	<b>18,914</b>	31,605
	<b>837,486</b>	618,652

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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 online medical services and consumer healthcare business. The increase in the contract assets are mainly attributable to the increase of sales of "Private Doctor Membership".

Contract liabilities for the online medical services business and consumer healthcare business mainly arise from the new service such as Private Doctor Membership as well as the service packages sold to the customers upon which the performance obligations have been established while the underlying services are to be provided.

##### (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	
	2019	2018
Revenue recognised that was included in the contract liability balance at the beginning of the period		
Online medical services	67,613	72,959
Consumer healthcare	400,058	417,911
Health mall	92,695	98,382
Health management and wellness interaction	31,605	44,543
	<b>591,971</b>	<b>633,795</b>

##### (iii) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations as at 31 December 2019 and 2018:

	At 31 December	
	2019	2018
Online medical services	212,752	67,613
Consumer healthcare	530,872	426,739
Health mall	74,948	92,695
Health management and wellness interaction	95,264	87,059
	<b>913,836</b>	<b>674,106</b>

Management expects that 90% of the transaction price allocated to the unsatisfied contracts as at 31 December 2019 will be recognised as revenue during the next reporting period. The remaining 10% will be recognised in 2021 financial year.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(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	
	2019	2018
Asset recognised from costs incurred to obtain a contract at 31 December 2018 and 2019		
Online medical Services	75,390	7,100
Consumer healthcare	65,729	53,820
	<b>141,119</b>	<b>60,920</b>
Amortisation recognised as selling and marketing expenses for provision of services during the period		
Online medical Services	21,849	13,899
Consumer healthcare	143,876	93,670
	<b>165,725</b>	<b>107,569</b>

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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 6 Expenses by Nature

	Year ended 31 December	
	2019	2018
Cost of merchandise	2,778,607	1,667,548
Employee benefit expenses (Note 7)	1,087,029	910,148
Cost for service fee paid to vendors	769,227	542,290
Advertising expenses	451,505	392,487
Commission expenses	329,878	247,585
Consulting expenses	153,340	156,193
Change of contract liabilities of Health Membership Plans	152,283	57,983
Depreciation of right-of-use assets	63,227	–
Depreciation of property, plant and equipment	57,350	38,169
Travelling and convention expenses	37,938	34,041
Postage and communication expenses	36,782	97,394
Promotion expenses (Note 4(c))	36,711	278,472
Amortization of other intangible assets	25,131	6,338
Leasing expenses	22,410	61,834
Tax and surcharges	18,024	17,818
Remuneration of the auditors	6,618	6,590
Listing expenses	–	18,244
Others	149,920	125,934
	<b>6,175,980</b>	<b>4,659,068</b>

### 7 Employee Benefit Expenses (Including directors' remuneration)

	Year ended 31 December	
	2019	2018
Wages, salaries and bonuses	763,068	568,921
Welfare and other benefits	232,156	214,282
Share-based payments (Note 29)	91,805	126,945
	<b>1,087,029</b>	<b>910,148</b>

### 8 Directors' Remuneration

#### (i) Directors' and the chief executive's emoluments

	Year ended 31 December	
	2019	2018
Salaries and other short term employee benefits after tax	15,300	16,178
Individual income tax	5,641	5,520
	<b>20,941</b>	<b>21,698</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 8 Directors' Remuneration (Continued)

#### (i) Directors' and the chief executive's emoluments (Continued)

The remuneration of each director for the year ended 31 December 2019 is set out as follows:

	Year ended 31 December 2019			
	Wages, salaries and bonuses	Pension costs, other social security costs, housing benefits and other employee benefits	Total	Individual income tax
<b>Executive directors</b>				
– Wang Tao (Chairman)	7,308	614	7,922	5,401
<b>Non-executive directors</b>				
– Cai Fang Fang	–	–	–	–
– Yao Jason Bo	–	–	–	–
– Tan Sin Yin <sup>4</sup>	–	–	–	–
– Wang Wenjun	–	–	–	–
– Dou Wenwei	–	–	–	–
– Lee Yuan Siong <sup>2</sup>	–	–	–	–
– Law Siu Wah Eddie <sup>3</sup>	–	–	–	–
<b>Independent non-executive directors</b>				
– Tang Yunwei <sup>1</sup>	352	–	352	80
– Guo Tianyong <sup>1</sup>	352	–	352	80
– Liu Xin <sup>1</sup>	352	–	352	80
– Chow Wing Kin Anthony <sup>1</sup>	432	–	432	–
	<b>8,796</b>	<b>614</b>	<b>9,410</b>	<b>5,641</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 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, other social security costs, housing benefits and other employee benefits	Total	Individual income tax
<b>Executive directors</b>				
– Wang Tao (Chairman)	7,219	573	7,792	5,370
<b>Non-executive directors</b>				
– Law Siu Wah Eddie <sup>3</sup>	–	–	–	–
– Cai Fang Fang	–	–	–	–
– Yao Jason Bo	–	–	–	–
– Lee Yuan Siong <sup>2</sup>	–	–	–	–
– Wang Wenjun	–	–	–	–
– Dou Wenwei	–	–	–	–
<b>Independent non-executive directors</b>				
– Tang Yunwei <sup>1</sup>	227	–	227	50
– Guo Tianyong <sup>1</sup>	227	–	227	50
– Liu Xin <sup>1</sup>	227	–	227	50
– Chow Wing Kin Anthony <sup>1</sup>	277	–	277	–
	8,177	573	8,750	5,520

Other non-monetary benefits include share-based payments expense of the Group. The share-based payments expense attributed to year ended 31 December 2019 for Wang Tao was RMB5,890,000 (year ended 31 December 2018: RMB7,428,000). There was no record of share-based payments expense for the other directors during 2019 and 2018.

Notes:

1. Appointed as independent non-executive directors since May 2018
2. Resigned from non-executive directors since November 2019
3. Resigned from non-executive directors since December 2019
4. Appointed as non-executive directors since November 2019
5. 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 2019 and 2018.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 8 Directors' Remuneration (Continued)

#### (ii) Directors' retirement benefits

There was no retirement benefits paid to the directors during 2019 and 2018.

#### (iii) Directors' termination benefits

There was no termination benefits paid to directors during 2019 and 2018.

#### (iv) Consideration provided to third parties for making available directors' services

There was no payment to third parties for making available directors' services during 2019 and 2018.

#### (v) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate 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 2019 and 2018.

#### (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.

## 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 31 2019 (2018: one), and his emoluments are reflected in the analysis shown in Note 8. The emoluments payable to the remaining four (2018: four) individuals during the year ended 31 December 2019, are as follows:

	Year ended 31 December	
	2019	2018
Wages, salaries and bonuses	14,074	12,428
Welfare and other benefits	1,258	873
Share-based payments	12,100	17,668
	27,432	30,969

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For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 9 Five Highest Paid Individuals (Continued)

The number of highest paid non-director individuals whose remuneration fell within the following bands is set out below:

	Year ended 31 December	
	2019	2018
Nil to RMB1,000,000	–	–
RMB1,000,001 to RMB2,000,000	–	–
RMB2,000,001 to RMB3,000,000	–	–
RMB3,000,001 to RMB4,000,000	–	–
RMB4,000,001 to RMB5,000,000	1	–
RMB5,000,001 to RMB6,000,000	–	1
RMB6,000,001 to RMB10,000,000	3	3
	<b>4</b>	<b>4</b>

During the years ended 31 December 2019 and 2018, 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	
	2019	2018
Government grants	38,931	20,506
Investment income	2,964	7,721
	<b>41,895</b>	<b>28,227</b>

### 11 Other Gains – Net

	Year ended 31 December	
	2019	2018
Net foreign exchange gains	40,135	156,276
Net gains on disposals and deemed disposals of subsidiaries (Note 39(a)(vi))	34,304	–
Gains on disposal of financial assets at fair value through profits or loss	31,935	–
Fair value gains on financial assets at fair value through profit or loss	23,451	29,689
Impairment losses of financial assets	(22,803)	(1,705)
Others	2,245	(767)
	<b>109,267</b>	<b>183,493</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 12 Finance Income – Net

	Year ended 31 December	
	2019	2018
Finance income		
Interest income	265,897	201,910
Finance costs		
Interest expenses on lease liabilities	(13,208)	–
	<b>252,689</b>	201,910

### 13 Income Tax Expense

The income tax expense of the Group for the year ended 31 December 2019 is analysed as follows:

	Year ended 31 December	
	2019	2018
Current income tax	12,587	1,178

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	
	2019	2018
<b>Loss before income tax</b>	<b>(734,129)</b>	(911,877)
Tax calculated at PRC statutory income tax rate of 25%	<b>(183,532)</b>	(227,969)
Tax effects of		
– Differential income tax rates applicable to subsidiaries (Note a) (Note b)	<b>(13,411)</b>	(134,587)
– Tax losses and temporary differences for which no deferred income tax asset was recognised	<b>127,203</b>	295,431
– Expense not deductible for tax purposes	<b>74,442</b>	68,303
– PRC withholding income tax	<b>9,479</b>	–
– Previously unrecognised tax losses now recouped to reduce current tax expense	<b>(1,594)</b>	–
<b>Income tax expense</b>	<b>12,587</b>	1,178

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 13 Income Tax Expense (Continued)

The unused tax losses as at 31 December 2019 are analysed as follows:

	At 31 December	
	2019	2018
Unused tax losses for which no deferred tax asset has been recognised	<b>3,322,632</b>	2,881,933
Potential tax benefit @ 25%	<b>760,686</b>	669,399
Potential tax benefit @ 16.5%	<b>44,782</b>	33,716

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.

The Group does not have any plan to require its PRC subsidiaries to distribute their retained earnings and intends to retain them to operate and expand its business in the PRC. Accordingly, no deferred income tax liability on WHT was accrued as at 31 December 2019 (31 December 2018: nil).

### 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 2018 has been retroactively adjusted for the share subdivision.

- (a) Basic loss per share for the year ended 31 December 2019 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	
	2019	2018
Loss attributable to the owners of the Company	<b>(733,860)</b>	(911,662)
Weighted average number of ordinary shares in issue ('000)	<b>1,000,996</b>	944,306
Basic loss per share (RMB yuan)	<b>(0.73)</b>	(0.97)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 14 Loss Per Share (Continued)

- (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 2019, 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 2019 are same as basic loss per share.

### 15 Goodwill

#### Cost

As at 31 December 2018 and 31 December 2019 (Note a)	966,763
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#### Notes:

- (a) At 31 December 2019, the balance of goodwill mainly from the acquisition of 100% equity interests in Ping An Wanjia Healthcare Investment Management Co., Ltd. ("Wanjia Healthcare") in October 2018 and the acquisition of 100% equity interests in Jiangxi Pingan Good Doctor Pharmacy Company Limited ("Jiangxi Nabaite") in April 2016.

Goodwill arose from the acquisition of Jiangxi Nabaite, which amounted to RMB5,119 thousand, 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 cash generating unit ("CGU"). Impairment review on the goodwill has been conducted by the management as at 31 December 2019 according to IAS 36 "Impairment of assets". Based on the result of the goodwill impairment testing, 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.

Goodwill arose from the acquisition of Wanjia Healthcare, which equaled to RMB961,644 thousand, was attributable to Wanjia Healthcare as a whole as a Cash Generating Unit ("CGU") of the Group as at 31 December 2018. After a period of independent operation, at 30 April 2019, the management of the Group decided to reorganize the business operational structure of Wanjia Healthcare and the decision resulted in change of management's reporting structure where the whole CGU was integrated with online medical services segment and consumer healthcare segment of the Group in order to better realize the synergy of combination and economies of scale. The reorganization changed the composition of CGU to which goodwill had been allocated.

Because the goodwill allocated to Wanjia Healthcare cannot be non-arbitrarily identified or associated with an asset group at a level lower than Wanjia Healthcare, on the same date of the reorganization, approximately RMB582,398 thousand and RMB379,246 thousand of goodwill respectively were reallocated to the online medical services segment and the consumer healthcare segment. The reallocation was performed using a relative value approach on the basis of the relative values of the two portions of Wanjia Healthcare before they were integrated with the segments of the Group. As of 31 December 2019, 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 eight-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 an eight-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 eight-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 eight-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 2019, for online medical services segment, key assumptions for goodwill used for value-in-use calculations include annual growth rates ranging from 14% to 23%, and gross margin at 46%, while for the consumer healthcare segment, annual growth rates ranging from 7% to 26%, and gross margin at 35%. As of 31 December 2019, the discount rate used for online medical services segment of 21.06% and the discount rate used for consumer healthcare segment of 20.32% are pre-tax and reflect 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, for for online medical services segment, the estimated recoverable amount exceeded its carrying amount by approximately RMB966,426 thousand and for the consumer healthcare segment the excess was approximately RMB596,225 thousand as of 31 December 2019. 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 for each segment.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 15 Goodwill (Continued)

CGU	Change required for carrying amount to equal recoverable amount (in percent) 2019
Online medical services	Assuming the annual growth rate for each year during the eight-year period decreased by 3.87% and shall be no less than the terminal growth rate of 3.00%
Consumer healthcare	Assuming the annual growth rate for each year during the eight-year period decreased by 2.35% and shall be no less than the terminal growth rate of 3.00%

### 16 Leases

#### (a) Amounts recognized in the balance sheet

The balance sheet shows the following amounts relating to leases:

	At 31 December 2019	At 1 January 2019
<b>Right-of-use assets</b>		
Properties	<b>93,986</b>	166,959
	<b>93,986</b>	166,959
<b>Lease liabilities</b>		
Current	<b>51,161</b>	83,133
Non-current	<b>44,431</b>	80,042
	<b>95,592</b>	163,175

Decrease of the cost of right-of-use assets during the 2019 financial year was RMB9,746 thousand.

#### (b) Amounts recognized in the statement of profit or loss

The income statement shows the following amounts relating to leases:

	Year ended 31 December 2019	2018
<b>Depreciation charge of right-of-use assets</b>		
Properties	<b>(63,227)</b>	–
	<b>(63,227)</b>	–
Interest expense	<b>(13,208)</b>	–

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For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 17 Property, Plant and Equipment

	Office and telecommunication equipment	Leasehold improvements	Total
<b>As at 1 January 2019</b>			
Cost	212,618	46,184	258,802
Accumulated depreciation	(67,798)	(18,531)	(86,329)
<b>Net book amount</b>	<b>144,820</b>	<b>27,653</b>	<b>172,473</b>
<b>Year ended 31 December 2019</b>			
Opening net book amount	144,820	27,653	172,473
Additions	47,562	28,156	75,718
Disposals and deemed disposals of subsidiaries	(3,263)	–	(3,263)
Disposal	(1,133)	–	(1,133)
Depreciation charge	(43,852)	(13,498)	(57,350)
<b>Closing net book amount</b>	<b>144,134</b>	<b>42,311</b>	<b>186,445</b>
<b>As at 31 December 2019</b>			
Cost	255,583	74,340	329,923
Accumulated depreciation	(111,449)	(32,029)	(143,478)
<b>Net book amount</b>	<b>144,134</b>	<b>42,311</b>	<b>186,445</b>
<b>As at 1 January 2018</b>			
Cost	122,677	26,135	148,812
Accumulated depreciation	(37,330)	(8,225)	(45,555)
<b>Net book amount</b>	<b>85,347</b>	<b>17,910</b>	<b>103,257</b>
<b>Year ended 31 December 2018</b>			
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)
<b>Closing net book amount</b>	<b>144,820</b>	<b>27,653</b>	<b>172,473</b>
<b>As at 31 December 2018</b>			
Cost	212,618	46,184	258,802
Accumulated depreciation	(67,798)	(18,531)	(86,329)
<b>Net book amount</b>	<b>144,820</b>	<b>27,653</b>	<b>172,473</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 18 Other Intangible Assets

	Software	Licences	Total
<b>As at 1 January 2019</b>			
Cost	58,034	54,672	112,706
Accumulated amortisation	(4,530)	(2,560)	(7,090)
Accumulated impairment	–	(19,569)	(19,569)
<b>Net book amount</b>	<b>53,504</b>	<b>32,543</b>	<b>86,047</b>
<b>Year ended 31 December 2019</b>			
Opening net book amount	53,504	32,543	86,047
Additions (Note a)	42,501	2,800	45,301
Disposals and deemed disposals of subsidiaries	(8)	–	(8)
Amortisation	(18,440)	(6,691)	(25,131)
<b>Closing net book amount</b>	<b>77,557</b>	<b>28,652</b>	<b>106,209</b>
<b>As at 31 December 2019</b>			
Cost	94,626	57,472	152,098
Accumulated amortisation	(17,069)	(9,251)	(26,320)
Accumulated impairment	–	(19,569)	(19,569)
<b>Net book amount</b>	<b>77,557</b>	<b>28,652</b>	<b>106,209</b>
<b>As at 1 January 2018</b>			
Cost	1,696	19,569	21,265
Accumulated amortisation	(752)	–	(752)
Accumulated impairment	–	(19,569)	(19,569)
<b>Net book amount</b>	<b>944</b>	<b>–</b>	<b>944</b>
<b>Year ended 31 December 2018</b>			
Opening net book amount	944	–	944
Additions	56,338	35,103	91,441
Amortisation	(3,778)	(2,560)	(6,338)
<b>Closing net book amount</b>	<b>53,504</b>	<b>32,543</b>	<b>86,047</b>
<b>As at 31 December 2018</b>			
Cost	58,034	54,672	112,706
Accumulated amortisation	(4,530)	(2,560)	(7,090)
Accumulated impairment	–	(19,569)	(19,569)
<b>Net book amount</b>	<b>53,504</b>	<b>32,543</b>	<b>86,047</b>

Notes:

- (a) The additions of licences during the year are mainly a drug wholesale license obtained from acquisition of Guangzhou Jifan Biotechnology Company Limited ("Guangzhou Jifan") at a consideration of RMB2,800 thousand.

## Notes to the Consolidated Financial Statements

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### 19 Investments in Associates

	At 31 December	
	2019	2018
Investments in associates		
– Unlisted entities	249,720	250,000
– Listed entities	131,992	–
At the beginning of the year (Note a)	250,000	–
Additions (Note b)	131,063	250,000
Share of profit in associates	649	–
<b>At the end of the year</b>	<b>381,712</b>	<b>250,000</b>

- (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 was fully paid by the Group.

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.

- (b) PAHC, one of the subsidiaries of the Company, entered into an equity transfer agreement and a share subscription agreement (the “Acquisition Agreements”) with Shanghai Hydee Software Corp., Ltd. (“Hydee”) and its original shareholders (“the Vendors”), pursuant to which (i) on 16 October 2019, the Vendors have agreed to sell, and PAHC has agreed to acquire, 3,341,000 existing shares (representing approximately 8.63% of total issued shares of Hydee on a fully-diluted basis) at a total consideration of approximately RMB49.1 million; and (ii) on 4 November 2019, Hydee has conditionally agreed to issue and allot, and PAHC has agreed to subscribe, 4,403,750 new shares (representing approximately 11.37% of total issued shares of Hydee on a fully-diluted basis) at a total consideration of RMB81.9 million. Upon the completion of the acquisition, Hydee will be owned as to 20.00% by the Group. The total cash consideration equivalent to approximately RMB131.0 million has been fully paid by the Group by the end of 31 December 2019.

According to the Acquisition Agreements, the board of directors of Hydee consist of 9 directors and the board resolutions normally need to be passed by a majority of the directors before taking into effect, and PAHC has right to appoint one director in the board. For the shareholder meeting, PAHC has 20% voting rights and normally the resolutions have to be passed if voted for by shareholders who hold more than half of the voting rights. As a result, The Group is considered to have significant influence but not control over Hydee.

### 20 Investments in Joint Ventures

	At 31 December	
	2019	2018
At the beginning of the year	5,419	9,707
Additions (Note a) (Note b)	147,084	–
Share of losses of joint ventures	(28,078)	(4,288)
Share of other comprehensive income of joint ventures	3,408	–
<b>At the end of the year</b>	<b>127,833</b>	<b>5,419</b>

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### 20 Investments in Joint Ventures (Continued)

- (a) On 10 April 2019, Yu Kang Limited, a subsidiary of the Company entered into a shareholder's agreement with SoftBank Corp. to subscribe 50% of the shares of Health Technologies Corp. at a consideration of JPY825,000,000 equivalent to approximately RMB49,417 thousand. Health Technologies Corp. is a company incorporated under the Laws of Japan which is mainly engaged in online health consultations, online drug mall and other medical services.
- (b) On 31 December 2019, Good Doctor Technology Limited, originally a subsidiary of the Group, became a joint venture of the Group due to capital injections of other shareholders and the fair value of retained investments in Good Doctor Technology Limited were revalued at approximately RMB97,667 thousand, details of which please refer to Note 39(a)(vi).

The investments in joint ventures as at 31 December 2019 are as follows:

	Place	Principal activities	Percentage of equity interest	Percentage of voting rights
Pingan Yingjian Medical Management (Shanghai) Limited ("Yingjian")	Shanghai	Medical services	50%	50%
Good Doctor Technology Limited	Cayman	Medical services	63%	51%
Health Technologies Corp.	Shanghai	Medical services	50%	50%

Summarized financial information of the Group's major joint ventures.

	Yingjian Year ended 31 December		Health Technologies Corp. Year ended 31 December	
	2019	2018	2019	2018
The joint venture's loss	(5,024)	(8,576)	(51,132)	–
The joint venture's other comprehensive income	–	–	6,816	–

As at 31 December 2019, the Group did not recognise any impairment loss on its investments in joint ventures.

### 21 Inventories

	At 31 December	
	2019	2018
Inventories in warehouse	74,768	38,570
Less: impairment provision	–	–
	<b>74,768</b>	<b>38,570</b>

## Notes to the Consolidated Financial Statements

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### 22 Trade Receivables

	At 31 December	
	2019	2018
Online medical services	278,010	174,218
Health mall	174,143	193,985
Consumer healthcare	147,433	52,685
Health management and wellness interaction	67,142	10,123
	<b>666,728</b>	431,011
Less: Loss allowance	<b>(17,344)</b>	–
	<b>649,384</b>	431,011

(a) Aging analysis of trade receivables based on invoice date is as follows:

	At 31 December	
	2019	2018
Up to 3 month	285,273	238,230
3 to 6 months	108,577	101,729
6 months to 1 year	155,980	76,028
1 to 2 years	108,664	15,024
More than 2 years	8,234	–
	<b>666,728</b>	431,011
Less: Loss allowance	<b>(17,344)</b>	–
	<b>649,384</b>	431,011

Approximately 90% of the trade receivables aged more than one year are due from related parties.

(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.

This resulted in an increase of the loss allowance on 31 December 2019 by RMB17,344 thousand for trade receivables.

## Notes to the Consolidated Financial Statements

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### 23 Prepayments and Other Receivables

	At 31 December	
	2019	2018
Included in current assets		
Interest receivable	53,673	149,748
Advance payments	43,321	102,030
Recoverable value-added tax	42,180	69,460
Deposits	29,411	16,547
Amounts due from related parties (Note a)	8,850	10,376
Prepaid expenses	6,817	2,419
Others	38,593	20,972
	<b>222,845</b>	<b>371,552</b>
Included in non-current assets		
Interest receivable	6,915	–

Notes:

- (a) During the year, the amounts due from related parties were of a non-trade nature.
- (b) As at 31 December 2019, 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.

### 24 Financial Assets at Amortized Cost

	At 31 December	
	2019	2018
Included in current assets		
Debt schemes (Note 39(b))	577,121	–
Less: provision for impairment losses	(2,066)	–
	<b>575,055</b>	<b>–</b>
Included in non-current assets		
Debt schemes (Note 39(b))	1,520,779	–
Less: provision for impairment losses	(4,894)	–
	<b>1,515,885</b>	<b>–</b>

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 25 Financial Assets at Fair Value Through Profit or Loss

	At 31 December	
	2019	2018
Included in current assets		
Equity investments		
Wealth management products	775,303	177,268
Investment funds	1,073,967	343,470
	<b>1,849,270</b>	520,738
Included in non-current assets		
Equity investments in unlisted companies	15,730	–

### 26 Cash and Cash Equivalents and Term Deposits

#### (a) Cash and cash equivalents

	At 31 December	
	2019	2018
Cash	1	2
Cash at bank	2,373,282	818,968
Short-term bank deposits with initial term within three months	2,570,000	90,000
Other cash equivalents	22,172	17,515
	<b>4,965,455</b>	926,485

Cash and cash equivalents are denominated in the following currencies:

	At 31 December	
	2019	2018
USD	1,600,912	388,011
HKD	88,856	14,350
RMB	3,275,687	524,124
	<b>4,965,455</b>	926,485

#### (b) Term deposits

	At 31 December	
	2019	2018
Term deposits with initial term of over three months and less than one year	500,000	5,745,280
Term deposits with initial term of over one year	–	2,800,000
Less: Loss allowance of term deposits	(236)	(1,737)
	<b>499,764</b>	8,543,543

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 26 Cash and Cash Equivalents and Term Deposits (Continued)

#### (b) Term deposits (Continued)

Term deposits are denominated in the following currencies:

	At 31 December	
	2019	2018
USD	–	2,745,280
RMB	500,000	5,800,000
	<b>500,000</b>	<b>8,545,280</b>

The weighted average effective interest rate of the term deposits of the Group for the year ended 31 December 2019 is 4.26% (Year ended 31 December 2018: 2.89%).

### 27 Share Capital

	Number of shares	USD
Authorised		
Ordinary shares of USD0.000005 each at 1 January 2019 and 31 December 2019	10,000,000,000	50,000
Ordinary shares of USD0.00001 each at 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 USD0.000005 each at 1 January 2019 and 31 December 2019 (Note d)	1,067,294,200	5,336	33,282
Ordinary shares of USD0.00001 each at 1 January 2018	453,600,000	4,536	28,197
Effect of share subdivision (Note b)	453,600,000	–	–
Newly issued ordinary shares (Note c)	160,094,200	800	5,085
Ordinary shares of USD0.000005 each at 31 December 2018	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 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 yuan.
- (d) As at 31 December 2019, 1,067,294,200 ordinary shares were all issued and fully paid.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 28 Reserves

	At 31 December	
	2019	2018
Other reserves		
– share-based payments – value of employee services (Note 29)	<b>243,779</b>	187,632
Reorganization (Note a)	<b>350,000</b>	350,000
Share premium		
– share premium from capital injection (Note b) (Note c) (Note d)	<b>12,792,575</b>	12,792,575
– share-based payments – value of employee services (Note 29)	<b>36,147</b>	489
– proceeds from exercise of share options (Note 29)	<b>92,957</b>	1,004
Exchange differences on translation of foreign operations	<b>3,408</b>	–
Other	<b>2</b>	2
	<b>13,518,868</b>	13,331,702

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 27(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.

### 29 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 eligible directors, employees and other persons (collectively, 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 29 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, 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 total number of shares pursuant to the Share Option Plan is 70,000,000 considering the effect of the share subdivision (Note 1).

Subject to the Grantees 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. On 31 May 2019, amendments to the Share Option Plan were approved by the directors of the Company to modify the vesting conditions of the nil-priced share options granted after 27 February 2019. The options vest in full or in part depending on the satisfaction of specified performance conditions, including growth rate of the share price of the Company and KPIs achievement of the Group as a whole and of the Grantees. The amendments impact the grant date fair value of nil-priced share option since the market condition need to be considered.

Movements in the number of share options granted to employees are as follows:

	Number of share options	
	At 31 December 2019	2018
At the beginning of the year	44,293,574	49,791,200
Granted	6,935,000	–
Exercised (Note a)	(9,234,258)	(1,675,000)
Forfeited	(4,136,998)	(3,822,626)
At the end of the year	37,857,318	44,293,574

Notes:

(a) During the year ended 31 December 2019, 9,234,258 ordinary shares were exercised (year ended 31 December 2018: 1,675,000 ordinary shares) at the total consideration of RMB91,953 thousand. The exercise price range from RMB0.5 each to RMB32 each.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 29 Share-Based Payments (Continued)

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	
			2019	2018
2014	2024	0.50	<b>1,801,803</b>	3,547,500
2015	2025	0.75	<b>6,409,912</b>	9,948,200
2016	2026	5.00	<b>1,513,650</b>	2,370,200
2017	2027	23.50-32.00	<b>22,786,953</b>	28,427,674
2019	2029	0-30.95	<b>5,345,000</b>	–
			<b>37,857,318</b>	44,293,574

Before the Listing, the Company had 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 by the Company with best estimate. Based on fair value of the underlying ordinary share, the Company had used Binomial option-pricing model to determine the fair value of the share options as at the grant date.

After the Listing, the fair value of the awarded share options was calculated by reference to the market price of the Company's shares at the respective grant date.

The weighted average fair value of awarded share options granted during the year ended 31 December 2019 was HKD23.12 per share (equivalent to approximately RMB19.71 yuan per share) (year ended 31 December 2018: not applicable).

For those nil-priced options with market-based performance conditions, the fair value is calculated using a Monte-Carlo simulation model. The Monte-Carlo simulation model reflected the historical volatility of the Company's share price and those of all other companies to which the Company's performance would be compared, over a period equal to the vesting period of the awards.

Key assumptions are set as below:

	At 31 December 2019
Share price	<b>HKD39.40</b>
Risk-free interest rate	<b>1.78%</b>
Volatility	<b>39.9%</b>
Dividend yield	<b>0%</b>

During the year ended 31 December 2019, the Group recorded share-based payments of approximately RMB91,805 thousand (year ended 31 December 2018: RMB126,945 thousand) related to the Share Option Plan.

The remaining contractual life of share options outstanding as at 31 December 2019 is 7.1 years.(As at 31 December 2018: 7.8 years)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 30 Trade and Other Payables

	At 31 December	
	2019	2018
Included in current liabilities		
Accrued expense	610,779	542,750
Wages payable	380,931	323,817
Trade payables (Note a)	268,952	328,960
Contract liabilities of Health Membership Plans	210,266	57,983
Amounts due to suppliers	127,112	91,764
Tax payables	74,775	42,957
Amounts due to related parties	30,784	44,439
Others	72,927	54,860
	<b>1,776,526</b>	<b>1,487,530</b>
Included in non-current liabilities		
Amounts due to related parties	47	47

(a) Aging analysis of trade payables is as follows:

	At 31 December	
	2019	2018
Up to 3 month	208,428	323,073
3 to 6 months	48,086	2,978
6 months to 1 year	6,121	1,668
1 to 2 years	6,317	1,241
	<b>268,952</b>	<b>328,960</b>

### 31 Dividends

No dividends have been paid or declared by the Company during the year ended 31 December 2019(year ended 31 December 2018:nil).

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 32 Cash Flow Information

#### (a) Cash used in operations

	Year ended 31 December	
	2019	2018
Loss for the year	<b>(746,716)</b>	(913,055)
Depreciation and amortisation	<b>145,708</b>	44,507
Impairment losses of financial assets	<b>22,803</b>	1,705
Investment income of financial assets at fair value through profits or loss	<b>(2,964)</b>	(7,721)
Fair value gains on financial assets at fair value through profit or loss	<b>(55,386)</b>	(29,689)
Share of losses of associates and joint ventures	<b>27,429</b>	4,288
Share option expenses	<b>91,805</b>	126,945
Finance income – net	<b>(252,689)</b>	(201,910)
Net gains on disposals and deemed disposals of subsidiaries	<b>(34,304)</b>	–
Net foreign exchange gains	<b>(40,135)</b>	(156,276)
Increase in trade receivables and other assets	<b>(340,909)</b>	(39,486)
Increase in trade payables and other liabilities	<b>681,154</b>	85,499
	<b>(504,204)</b>	(1,085,193)

### 33 Operating Lease Commitments

From 1 January 2019, the Group has recognised right-of-use assets for its operating leases, except for short term and low-value leases, see Note 2.2 for further information. The Group's future aggregate minimum lease payments due under non-cancellable operating leases are as follows:

	At 31 December	
	2019	2018
No later than 1 year	–	88,814
Later than 1 year and no later than 2 years	–	47,058
Later than 2 years and no later than 3 years	–	26,739
Later than 3 years	–	14,954
	–	177,565

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 34 Related Party Transactions

Save as those disclosed in the other notes, 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 of 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
Ping An Fund Management Co., Ltd. ("Ping An Fund")	Controlled by Ping An
Ping An Real State Company Limited ("Ping An Real Estate")	Controlled by Ping An
Shenzhen Wanlitong Network Information Technology Co., Ltd. ("Shenzhen Wanlitong")	Controlled by Ping An
Ping An Technology (Shenzhen) Co., Ltd. ("Ping An Technology")	Controlled by Ping An
Nanchang Ping An Hao Yi Health Examination Co., Ltd. ("Nanchang Hao Yi")	Controlled by Ping An
Ping An Hao Yi Investment Management Co., Ltd. ("Ping An Hao Yi")	Controlled by Ping An
Shanghai An Yi Tong Electronic Commerce Co., Ltd. ("An Yi Tong")	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
Ping An International Financial Leasing Company Limited ("Ping An Financial Leasing")	Controlled by Ping An
Ping An Trust Co., Ltd. ("Ping An Trust")	Controlled by Ping An
Shenzhen Pingan Yuanxin Investment Development Holding Co. ("Ping An Yuanxin")	Controlled by Ping An

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 34 Related Party Transactions (Continued)

#### (b) Significant transactions with related parties

	Year ended 31 December	
	2019	2018
<b>Trademark licensing</b>		
Ping An	–	–
<b>Provision of products and services</b> (included in contract liabilities and revenue)		
Ping An Life	1,438,578	745,871
Ping An Property& Casualty	412,782	320,409
Ping An Health	159,057	122,539
Ping An Bank	89,861	37,226
Ping An Annuity	37,389	30,729
Ping An Real Estate	34,729	677
Ping An Trust	25,527	2,329
Financial Services	14,317	6,625
Ping An Securities	7,676	6,649
Ping An Fund	6,599	186
Shenzhen Wanlitong	6,124	3,506
Ping An Technology	5,870	3,551
Ping An Financial Leasing	4,479	3,449
Nanchang Hao Yi	3,696	–
Ping An Hao Yi	2,179	236
<b>Services purchasing</b>		
Ping An Bank	92,997	3
Shenzhen Wanlitong	39,693	26,443
Ping An Communication Technology	37,291	23,348
Ping An Technology	25,592	29,904
Financial Service	15,272	11,262
Ping An Annuity	12,633	4
An Yi Tong	10,808	62
Ping An	8,802	5,825
Ping An Property& Casualty	3,563	140
<b>Property leasing</b>		
Zean Investment	32,985	27,483
Ping An Property& Casualty	1,017	1,792
<b>Deposit interests</b>		
Ping An Bank	92,444	100,583
<b>Investment income</b>		
Ping An Bank	2,784	5,411

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 34 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) online medical 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.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 34 Related Party Transactions (Continued)

#### (b) Significant transactions with related parties (Continued)

##### 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.

#### (c) Year end balances with related parties

	At 31 December	
	2019	2018
<b>Cash and cash equivalents and term deposits</b>		
Ping An Bank	3,763,166	3,340,964
Ping An Pay Tech	15,492	8,946
<b>Financial assets at fair value through profit or loss</b>		
Ping An Bank	123,733	126,838
<b>Trade receivables</b>		
Ping An Property & Casualty	215,000	77,413
Ping An Health	161,482	118,123
Ping An Life	91,851	144,860
Ping An Bank	25,513	11,256
Ping An Trust	25,503	516
Ping An Annuity	8,662	2,827
<b>Trade and other payables</b>		
Ping An Property & Casualty	7,535	7,092
Ping An Health	7,267	13,620
Ping An Technology	4,140	5,523
Financial Services	4,040	2,439
Ping An Communication Technology	3,227	4,311
Ping An Fintech	1,664	9,303
<b>Prepayments and other receivables</b>		
Ping An Annuity	4,158	1,980
Ping An Property & Casualty	2,439	2,457
Ping An Health	1,267	1,180
<b>Interests receivables</b>		
Ping An Bank	45,334	64,656
<b>Debt schemes</b>		
Ping An Yuanxin	1,515,885	–
<b>Deposits</b>		
Zean Investment	4,565	4,403

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 34 Related Party Transactions (Continued)

#### (c) Year end balances with related parties (Continued)

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.

#### (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	
	2019	2018
Wages, salaries and bonuses	31,875	27,711
Welfare and other benefits	2,384	1,676
Share-based payments	21,513	27,276
	55,772	56,663

### 35 Contingencies

The Group did not have any material contingent liabilities as at 31 December 2019.

### 36 Subsequent Events

The wide spread of the novel Coronavirus in China since the beginning of 2020 is a fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future.

The Group does not have other significant subsequent events.

### 37 Comparative Figures

Certain comparative figures have been reclassified or restated to conform to the consolidated financial information's presentation.

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 38 Financial Position and Reserve Movement of the Company

#### (a) Financial position of the Company

	As at 31 December	
	2019	2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Prepayments and other receivables	3,236,956	3,019,808
Total non-current assets	3,236,956	3,019,808
<b>Current assets</b>		
Prepayments and other receivables	7,754,050	7,034,995
Financial assets at fair value through profit or loss	972,760	343,470
Term deposits	–	2,745,106
Cash and cash equivalents	1,655,677	258,124
Total current assets	10,382,487	10,381,695
<b>Total assets</b>	<b>13,619,443</b>	<b>13,401,503</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	33	33
Reserves	12,885,532	12,793,579
Retained earnings	704,560	589,212
<b>Total equity</b>	<b>13,590,125</b>	<b>13,382,824</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Trade and other payables	47	47
Total non-current liabilities	47	47
<b>Current liabilities</b>		
Trade and other payables	29,271	18,632
Total current liabilities	29,271	18,632
<b>Total liabilities</b>	<b>29,318</b>	<b>18,679</b>
<b>Total equity and liabilities</b>	<b>13,619,443</b>	<b>13,401,503</b>

The statement of financial position of the Company was approved by the Board of Directors on 11 February 2020 and was signed on its behalf.

\_\_\_\_\_  
**WANG Tao**  
*Director*

\_\_\_\_\_  
**WANG Wenjun**  
*Director*

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 38 Financial Position and Reserve Movement of the Company (Continued)

#### (b) Reserve movement of the Company

	Reserves	Retained earnings
<b>As at 1 January 2019</b>	<b>12,793,579</b>	<b>589,212</b>
Profit for the year	–	115,348
Exercise of share options	91,953	–
<b>As at 31 December 2019</b>	<b>12,885,532</b>	<b>704,560</b>
<b>As at 1 January 2018</b>	<b>5,843,877</b>	<b>(18,120)</b>
Change in accounting policy	–	(9)
<b>Restated balance at 1 January 2018</b>	<b>5,843,877</b>	<b>(18,129)</b>
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	–
<b>As at 31 December 2018</b>	<b>12,793,579</b>	<b>589,212</b>

### 39 Subsidiaries and Controlled Structured Entities

#### (a) Subsidiaries

As at 31 December 2019, 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 2019	31 December 2018		
<b>Directly owned:</b>						
Glorious Delight	Hong Kong/ 14 November 2014	HKD1	100%	100%	Investment Holding/ Hong Kong	
Le An Xin (Note 29)	British Virgin Islands ("BVI")/ 17 October 2017	USD0	–	–	Investment Holding/ BVI	
Good Doctor Online Healthcare Limited	Cayman Islands/ 23 July 2018	USD1	100%	100%	Investment Holding/ Cayman Islands	
Yu Kang Limited	Hong Kong/ 12 December 2018	HKD1	100%	100%	Investment Holding/ Hong Kong	
<b>Indirectly owned:</b>						
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%	100%	Medicine Marketing/ the PRC	
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	

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 39 Subsidiaries and Controlled Structured Entities (Continued)

#### (a) Subsidiaries (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 2019	31 December 2018		
<b>Controlled by the Company pursuant to the Contractual Agreements</b>						
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	the PRC/ 29 March 2005	RMB15,000,000	100%	100%	Technology Development/ the PRC	
Qingdao Pingan Good Doctor Internet Hospital Company Limited ("Qingdao Hospital")	the PRC/ 24 April 2017	RMB10,000,000	100%	100%	Hospital/ the PRC	(i)
Pingan (Hefei) Internet Hospital Company Limited	the PRC/ 21 September 2017	RMB0	100%	100%	Hospital/ the PRC	
Jiangsu Nabaite Pharmacy Company Limited	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%	100%	Hospital/ the PRC	
Wanjia Healthcare	the PRC/ 4 July 2016	RMB400,000,000	100%	100%	Technology Development/ the PRC	
Shanghai Pingan Wanjia Healthcare Management Company Limited	the PRC/ 8 December 2016	RMB100,000,000	100%	100%	Technology Development/ the PRC	
Shenzhen Pingan Wanjia Healthcare Investment Company Limited ("Shenzhen Wanjia")	the PRC/ 11 August 2016	RMB30,000,000	100%	100%	Investment Holding/ the PRC	
Xiamen Pingan Wanjia Healthcare Investment Company Limited ("Xiamen Wanjia")	the PRC/ 6 December 2016	RMB20,000,000	100%	55%	Investment Holding/ the PRC	(ii)
Siming Wanjia Enjoyment Center Outpatient Service Department ("Siming Clinic")	the PRC/ 26 July 2017	RMB11,000,000	100%	55%	Clinic/ the PRC	
Shenzhen Anan Outpatient Service Department	the PRC/ 20 June 2017	RMB400,000	100%	100%	Clinic/ the PRC	
Guang Dong Y.C. Insurance Agency Company Limited	the PRC/ 10 February 2011	RMB50,000,000	100%	100%	Insurance Agency/ the PRC	
Guangzhou Jifan	the PRC/ 23 July 2015	RMB10,000,000	100%	0%	Medicine Marketing/ the PRC	(iii)

## Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

(All amounts expressed in RMB thousand unless otherwise stated)

### 39 Subsidiaries and Controlled Structured Entities (Continued)

#### (a) Subsidiaries (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 2019	31 December 2018		
Pingan (Nantong) Internet Hospital Company Limited	the PRC/ 15 November 2018	RMB0	100%	100%	Hospital/ the PRC	
Hainan Ping An Healthcare and Technology Company Limited	the PRC/ 15 October 2019	RMB0	100%	0%	Medicine Marketing/ the PRC	(iv)
Hebei Nabaite Pharmacy Company Limited	the PRC/ 28 December 2019	RMB0	100%	0%	Medicine Marketing/ the PRC	(v)

\* All of the subsidiaries of the Company established in the PRC were limited liability company.

Notes:

- (i) Qingdao Hospital was formerly named as Pingan (Qingdao) Internet Hospital Company Limited.
- (ii) Shenzhen Wanjia entered into a share purchase agreement on 29 March 2019 with Xiamen Yirui Investment Management Company Limited in relation to the acquisition of 45% shareholding interest of Xiamen Wanjia. The change of shareholder registration in the local industrial and commercial administration for Xiamen Wanjia was completed on 8 April 2019. Siming Clinic is the subsidiary of Xiamen Wanjia.
- (iii) Jiangxi Nabaite entered into a share purchase agreement on 30 October 2019 with Shanghai Jiajie Zhengxin Trade Co., Ltd and Mr. Dingren in relation to the acquisition of 100% shareholding interest of Guangzhou Jifan. The change of shareholder registration in the local industrial and commercial administration for Guangzhou Jifan was completed on 30 October 2019.
- (iv) Hainan Ping An Healthcare and Technology Company Limited was established by PAHC in the PRC on 15 October 2019. It is a wholly-owned subsidiary of PAHC.
- (v) Hebei Nabaite Pharmacy Company Limited was established by PAHC in the PRC on 28 December 2019. It is a wholly-owned subsidiary of PAHC.
- (vi) Upon its foundation in July 2018, Good Doctor Technology Limited was owned by Good Doctor Online Healthcare Limited, one of the subsidiaries of the Company, and A2G Holdings Inc. ("A2G"), a wholly-owned subsidiary of Grab Holdings Inc. ("Grab") in proportion to their respective equity interests of 70% and 30%, and Good Doctor Online Healthcare Limited was regarded to have control over Good Doctor Technology Limited. On 31 December 2019, with the capital injection from both A2G and a new shareholder, Good Doctor Online Healthcare Limited entered into a new shareholders agreement (the "Shareholders Agreement"). According to the Shareholders Agreement, matters relating to budgeting and business plan, material contracts, employees, etc. have to be passed by all the representative directors nominated. The Group is regarded to lose control over Good Doctor Technology Limited and its subsidiaries, since then Good Doctor Technology Limited becomes a joint venture of the Group, thus excluded from the scope of consolidation.

Under IAS 27, upon loss of control over the subsidiary by partially disposal of equity investments, the Group should re-measure the retained investments at its fair value in the consolidated financial statements. The gain from the disposal represented the sum of the disposal consideration and fair value of retained investments less the amount of net assets of the subsidiary attributable to the Group based on its shareholding. In summary, the Group revalued the fair value of retained investments in Good Doctor Technology Limited at RMB97,667 thousand, and recognized gain on disposal of RMB34,304 thousand at the date the Group lost control.

#### (b) Structured entities

As at 31 December 2019, the Group consolidated the following principal structured entities:

Name	Attributable equity interest	Paid-in capital (RMB)	Principal activities
Ping An Huitong Jinyu No.17 Assets Management	100%	1,500,000	Investment in debts
Ping An Huitong Jinyu No.19 Assets Management	100%	570,000	Investment in debts

\* The asset manager of both asset management plans is Shenzhen Ping An Huitong Investment Management Company Limited, which is controlled by Ping An.

# Five Year Financial Summary

## Condensed Consolidated Income Statement

	Year ended 31 December				
	2015	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	278,690	601,494	1,868,021	3,337,849	<b>5,065,429</b>
Gross profit	110,767	253,579	612,070	911,938	<b>1,171,429</b>
Net loss for the year	(323,708)	(758,215)	(1,001,643)	(913,055)	<b>(746,716)</b>
Net loss attributable to the owners of the Company	(323,708)	(758,215)	(1,001,643)	(911,662)	<b>(733,860)</b>

## Condensed Consolidated Statement of Financial Position

	As of 31 December				
	2015	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	307,089	4,187,670	5,972,080	12,373,521	<b>12,379,138</b>
Total liabilities	417,543	1,813,375	1,938,118	2,106,229	<b>2,709,651</b>
Total equity	(110,454)	2,374,295	4,033,962	10,267,292	<b>9,669,487</b>
Equity attributable to the owners of the Company	(110,454)	2,374,295	4,033,962	10,198,920	<b>9,648,761</b>

# 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
“close associate”	has the meaning ascribed to it under the Listing Rules
“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 data centers”	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

## Definitions

“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 (鑫悦有限公司), a company incorporated under the laws of Hong Kong on 14 November 2014, and a wholly-owned subsidiary of our Company
“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”	GMV refers to the total value of all orders on the platform, including product and service orders under the direct sales and marketplace model (regardless whether the products were returned), as well as the procurement from the health mall by corporate clients
“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
“Guangzhou Jifan”	Guangzhou Jifan Biotechnology Co., Ltd. (廣州市濟帆生物科技有限公司), a company incorporated under the laws of PRC on July 23, 2015 and a wholly owned subsidiary of Jiangxi Nabaite and is one of our Operating Entities
“Hainan Pingan Medical Technology”	Hainan Pingan Health Technology Co., Ltd. (海南平安健康醫療科技有限公司), a company incorporated under the laws of PRC on October 15, 2019 and a wholly owned subsidiary of Ping An Health Cloud and is one of our Operating Entities
“Hebei Nabaite”	Hebei Nabaite Pharmacy Co., Ltd. (河北納百特大藥房有限公司), a company incorporated under the laws of PRC on December 28, 2019 and a wholly owned subsidiary of Jiangxi Nabaite and is 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

## Definitions

“IFRS”	International Financial Reporting Standard
“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
“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
“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
“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

## Definitions

“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, Guangdong Yecheng, Hebei Nabaite, Guangzhou Jifan, Hainan Pingan Medical Technology, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements
“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 Puhui”	Ping An Puhui Investment Consultation Co., Ltd., a company incorporated under the laws of PRC on 5 September 2005 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

## Definitions

“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 (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 (Qingdao) Internet Hospital”	Qingdao Pingan Good Doctor Internet Hospital Co., Ltd. (青島平安好醫生互聯網醫院有限公司), formerly known as 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 2019
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Rui Jian”	Rui Jian Limited (銳鍵有限公司), 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

## Definitions

“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
“substantial shareholder(s)”	has the meaning ascribed thereto in the Listing Rules
“USD”	United States dollars, the lawful currency of the United States
“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
“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
“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
“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

