The following is the text of a report set out on pages I-1 to I-101, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

KPMG

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CLOUDR GROUP LIMITED AND MORGAN STANLEY ASIA LIMITED AND J.P. MORGAN SECURITIES (FAR EAST) LIMITED

Introduction

We report on the historical financial information of ClouDr Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages I-4 to I-101, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2019, 2020 and 2021 and the consolidated statements of profit or loss, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2019, 2020 and 2021 (the "**Track Record Period**"), and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages I-4 to I-101 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "**Document**") in connection with the **[REDACTED]** of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public

Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Company's and the Group's financial position as at 31 December 2019, 2020 and 2021 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 26(b) to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track Record Period.

No historical financial statements for the Company

No financial statements have been prepared for the Company since its incorporation.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
[REDACTED]

HISTORICAL FINANCIAL INFORMATION

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by KPMG Huazhen LLP in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

Consolidated statements of profit or loss

(Expressed in thousands of Renminbi, unless otherwise stated)

		Year ended 31 December		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*4*	524,438	839,123	1,756,731
Cost of sales		(462,868)	(606,367)	(1,186,707)
Gross profit		61,570	232,756	570,024
Other net income	*5*	4,765	5,732	29,916
Selling and marketing expenses		(149,179)	(626,020)	(787,280)
Administrative expenses		(74,394)	(316,753)	(272,327)
Research and development expenses		(23,753)	(132,397)	(236,244)
Loss from operations		(180,991)	(836,682)	(695,911)
Finance costs	*6(a)*	(57,802)	(57,802)	(61,962)
Changes in fair value of financial liabilities	*6(c)*	(326,583)	(2,003,371)	(3,397,634)
Loss before taxation		(565,376)	(2,897,855)	(4,155,507)
Income tax	*7*	(13)	966	2,314
Loss for the year		(565,389)	(2,896,889)	(4,153,193)
Attributable to:				
— Equity shareholders of the Company		(557,397)	(2,866,975)	(4,138,913)
— Non-controlling interests		(7,992)	(29,914)	(14,280)
Loss for the year		(565,389)	(2,896,889)	(4,153,193)
Loss per share	*10*			
Basic and diluted (RMB)		(7.70)	(34.87)	(42.88)

Consolidated statements of profit or loss and other comprehensive income

(Expressed in thousands of Renminbi, unless otherwise stated)

		Year ended 31 December		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Loss for the year		(565,389)	(2,896,889)	(4,153,193)
Other comprehensive income for the year (after tax)				
Item that may be reclassified subsequently to profit or loss:				
Exchange difference on translation of:				
— Financial statements of overseas subsidiaries		(3,161)	145,590	131,932
Total comprehensive income for the year		(568,550)	(2,751,299)	(4,021,261)
Attributable to:				
— Equity shareholders of the Company		(560,558)	(2,721,385)	(4,006,981)
— Non-controlling interests		(7,992)	(29,914)	(14,280)
Total comprehensive income for the year		(568,550)	(2,751,299)	(4,021,261)

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of financial position

(Expressed in thousands of Renminbi, unless otherwise stated)

		At 31 December		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Property, plant and equipment	*11*	6,796	24,300	36,213
Intangible assets	*12*	29,191	111,478	164,583
Goodwill	*13*	—	19,017	25,625
		35,987	154,795	226,421
Current assets				
Inventories	*14*	141,968	59,405	110,924
Trade and bills receivables	*15*	159,159	298,545	497,266
Prepayments, deposits and other receivables	*16*	223,824	260,371	420,045
Financial assets at fair value through profit or loss (FVTPL)	*17*	—	—	28,000
Cash and cash equivalents	*18*	601,164	914,226	1,090,575
Restricted cash	*18*	—	—	134,922
		1,126,115	1,532,547	2,281,732
Current liabilities				
Trade payables	*19*	52,507	76,032	67,763
Other payables and accrued expenses	*20*	150,037	184,935	456,555
Contract liabilities	*21*	22,697	120,737	93,593
Bank and other loans	*22*	83,900	203,511	114,383
Lease Liabilities	*23*	2,750	4,373	4,123
Financial liabilities at FVTPL	*24*	1,720,329	4,478,160	8,907,708
		2,032,220	5,067,748	9,644,125
Net current liabilities		(906,105)	(3,535,201)	(7,362,393)

	Note	At 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Total assets less current liabilities		(870,118)	(3,380,406)	(7,135,972)
Non-current liabilities				
Lease liabilities	*23*	1,704	2,182	4,800
Deferred tax liabilities		—	10,630	14,359
		1,704	12,812	19,159
NET LIABILITIES		(871,822)	(3,393,218)	(7,155,131)
Capital and reserves				
Share capital	*26(c)*	46	56	110
Reserves	*26(d)*	(854,664)	(3,361,977)	(7,138,062)
Total equity attributable to equity shareholders of the Company		(854,618)	(3,361,921)	(7,137,952)
Non-controlling interests		(17,204)	(31,297)	(17,179)
TOTAL DEFICIT		(871,822)	(3,393,218)	(7,155,131)

The accompanying notes form part of the Historical Financial Information.

Statements of financial position of the Company

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	At 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Investments in subsidiaries		87,008	292,759	518,438
Receivable due from subsidiaries	*30*	465,758	1,866,590	3,065,801
		552,766	2,159,349	3,584,239
Current assets				
Prepayments, deposits and other receivables	*16*	34,881	—	—
Receivable due from related parties	*29(c)*	2,133	8,849	12,069
Cash and cash equivalents	*18*	200,163	16,072	53,556
		237,177	24,921	65,625
Current liabilities				
Other payables and accrued expenses	*20*	78,115	92,514	38,810
Financial liabilities at FVTPL	*24*	1,055,497	4,023,378	8,907,708
		1,133,612	4,115,892	8,946,518
NET LIABILITIES		(343,669)	(1,931,622)	(5,296,654)
Capital and reserves				
Share capital	*26(c)*	46	56	110
Reserves	*26(d)*	(343,715)	(1,931,678)	(5,296,764)
TOTAL DEFICIT		(343,669)	(1,931,622)	(5,296,654)

The accompanying notes form part of the Historical Financial Information.

Consolidated statements of changes in equity

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Share capital	Capital reserve	Share-based payments reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interests	Total deficit
		Attributable to equity shareholders of the Company							
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 26	*Note 26*	*Note 25*	*Note 26*				
Balance at 1 January 2019		42	2,654	9,447	(5,532)	(339,694)	(333,083)	(9,212)	(342,295)
Changes in equity for 2019:									
Loss for the year		—	—	—	—	(557,397)	(557,397)	(7,992)	(565,389)
Other comprehensive income		—	—	—	(3,161)	—	(3,161)	—	(3,161)
Total comprehensive income		—	—	—	(3,161)	(557,397)	(560,558)	(7,992)	(568,550)
Issuance of ordinary shares	*26(c)(i)*	4	18,750	(18,754)	—	—	—	—	—
Equity settled share-based payment	*6(b)*	—	—	39,023	—	—	39,023	—	39,023
Balance at 31 December 2019		46	21,404	29,716	(8,693)	(897,091)	(854,618)	(17,204)	(871,822)
Balance at 1 January 2020		46	21,404	29,716	(8,693)	(897,091)	(854,618)	(17,204)	(871,822)
Changes in equity for 2020:									
Loss for the year		—	—	—	—	(2,866,975)	(2,866,975)	(29,914)	(2,896,889)
Other comprehensive income		—	—	—	145,590	—	145,590	—	145,590
Total comprehensive income		—	—	—	145,590	(2,866,975)	(2,721,385)	(29,914)	(2,751,299)
Issuance of ordinary shares	*26(c)(i)*	10	126,484	(119,643)	—	—	6,851	—	6,851
Non-controlling interests arising from acquisition of subsidiaries	*18(d)*	—	—	—	—	—	—	15,821	15,821
Equity settled share-based payment	*6(b)*	—	—	207,231	—	—	207,231	—	207,231
Balance at 31 December 2020		56	147,888	117,304	136,897	(3,764,066)	(3,361,921)	(31,297)	(3,393,218)

		Attributable to equity shareholders of the Company									
	Note	Share capital	Treasury share reserve	Capital reserve	Share-based payments reserve	Other reserve	Exchange reserve	Accumulated losses	Subtotal	Non-controlling interests	Total deficit
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
		Note 26	*Note 26*	*Note 26*	*Note 25*		*Note 26*				
Balance at 1 January 2021		56	—	147,888	117,304	—	136,897	(3,764,066)	(3,361,921)	(31,297)	(3,393,218)
Changes in equity for 2021:											
Loss for the year		—	—	—	—	—	—	(4,138,913)	(4,138,913)	(14,280)	(4,153,193)
Other comprehensive income		—	—	—	—	—	131,932	—	131,932	—	131,932
Total comprehensive income		—	—	—	—	—	131,932	(4,138,913)	(4,006,981)	(14,280)	(4,021,261)
Issuance of ordinary shares	*26(c)(i)*	47	—	—	—	—	—	—	47	—	47
Treasury shares	*26(d)(i)*	—	(47)	—	—	—	—	—	(47)	—	(47)
Non-controlling interests arising from acquisition of subsidiaries	*18(d)*	—	—	—	—	—	—	—	—	21,775	21,775
Capital injection into a subsidiary by non-controlling shareholders	—	—	—	—	—	—	—	—	—	8,100	8,100
Disposal of a subsidiary	—	—	—	—	—	—	—	—	—	(1,477)	(1,477)
Equity-settled share-based payment	*6(b)*	—	—	—	222,619	—	—	—	222,619	—	222,619
Exercise of the share options	*25*	7	—	55,094	(49,316)	—	—	—	5,785	—	5,785
Issued share options as subsidiary acquisition consideration	*28*	—	—	—	—	2,546	—	—	2,546	—	2,546
Balance at 31 December 2021		110	(47)	202,982	290,607	2,546	268,829	(7,902,979)	(7,137,952)	(17,179)	(7,155,131)

The accompanying notes form part of the Historical Financial Information.

Consolidated cash flow statements

(Expressed in thousands of Renminbi, unless otherwise stated)

	Note	Year ended 31 December		
		2019	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Operating activities				
Loss before taxation		(565,376)	(2,897,855)	(4,155,507)
Impairment loss on trade receivables	*6(c)*	2,791	8,357	2,718
Write down of inventories	*6(c)*	—	5,353	2,134
Depreciation	*6(c)*	2,975	7,076	15,409
Amortisation	*6(c)*	6,377	27,977	71,132
Loss on disposal of property, plant and equipment		53	308	751
Net gain on disposal of a subsidiary	5	–	–	(618)
Changes in fair value of financial liabilities	*6(c)*	326,583	2,003,371	3,397,634
Interest expense	*6(a)*	6,996	7,245	9,269
Interest on lease liabilities	*6(a)*	133	282	338
Interest income from other financial assets		(677)	(721)	(8,397)
Issuance cost of financial liabilities at FVTPL	*6(a)*	50,278	49,976	51,554
Equity-settled share-based payment expenses	*6(b)*	39,023	207,231	222,619
Changes in working capital:				
(Increase)/decrease in inventories		(103,207)	84,182	(16,012)
Increase in trade and bills receivables and other receivables		(149,302)	(132,547)	(213,946)
Increase in trade and other payables and accrued expenses		3,362	97,751	118,027
Increase/(decrease) in contract liabilities		19,669	93,618	(28,143)
Restricted cash collected from the insured on behalf of insurance companies	*18(a)*	—	—	(134,922)
Cash used in operations		(360,322)	(438,396)	(665,960)
Income tax paid		(13)	(69)	(373)
Net cash used in operating activities		(360,335)	(438,465)	(666,333)

		Year ended 31 December		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Investing activities				
Interest income received from other financial assets		677	721	8,397
Proceeds from disposal of property, plant and equipment		10	3	1,039
Proceeds from sales of wealth management products		368,000	310,000	6,406,475
Settlements received from advances to third parties		—	10,150	10,900
Acquisition of subsidiaries, net of cash acquired	*18(d)*	(22,266)	(82,647)	(43,696)
Disposal of a subsidiary		—	—	(1,042)
Payment for the purchase of property, plant and equipment and intangible assets		(4,246)	(40,529)	(88,683)
Payment for purchase of wealth management products		(328,000)	(310,000)	(6,434,475)
Payment for prior year acquisition of subsidiaries	*18(d)*	—	(9,462)	(4,531)
Deposit for acquisition of subsidiaries	*18(d)*	(1,670)	—	—
Advances to third parties		(9,100)	(38,432)	(9,881)
Net cash generated from/(used in) investing activities		3,405	(160,196)	(155,497)

	Note	Year ended 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Financing activities				
Proceeds from bank and other loans	*18(b)*	205,900	326,111	370,256
Advances from a non-controlling shareholder of the Group	*18(b)*	—	—	7,300
Proceeds from issuance of convertible redeemable preferred shares and convertible loans	*18(b)*	832,720	949,987	1,183,526
Proceeds from issuance of convertible redeemable preferred shares to settle convertible loans	*18(b)*	11,580	66,529	213,930
Capital injection from non-controlling interests in a subsidiary		—	—	8,100
Repayment of bank and other loans	*18(b)*	(185,735)	(208,000)	(476,599)
Repayment of a non-controlling shareholder of the Group		—	—	(6,300)
Interest expense paid		(6,996)	(7,245)	(9,269)
Payment of capital element of lease liabilities	*18(b)*	(2,132)	(4,562)	(8,694)
Payment of interest element of lease liabilities	*18(b)*	(133)	(282)	(338)
Payment of repurchase of convertible redeemable preferred shares and convertible loans	*18(b)*	(6,037)	(35,867)	(8,117)
Payment of repurchase of convertible loan for issuance of convertible redeemable preferred shares	*18(b)*	(11,247)	(75,799)	(214,354)
Issuance cost of convertible redeemable preferred shares and the proposed issuance of new shares		(24,331)	(92,466)	(44,070)
Net cash generated from financing activities		813,589	918,406	1,015,371
Net increase in cash and cash equivalents		456,659	319,745	193,541
Cash and cash equivalents at 1 January		143,782	601,164	914,226
Effect of foreign exchange rate changes		723	(6,683)	(17,192)
Cash and cash equivalents at 31 December		601,164	914,226	1,090,575

The accompanying notes form part of the Historical Financial Information.

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

(Expressed in thousands of Renminbi unless otherwise stated)

1 BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

1.1 General information

ClouDr Group Limited (the "**Company**") (formerly known as 91health Group Limited) was incorporated in the Cayman Islands on 24 August 2015 as an exempted company with limited liability under the Companies Act (As Revised) (as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, "**the Group**") are principally engaged in providing supplies and software as a service ("**SaaS**") to hospitals and pharmacies, digital marketing services to pharmaceutical companies, and online consultation and prescriptions to patients, all centered around chronic condition management.

Prime Forest Assets Limited ("**Prime Forest**") was incorporated in British Virgin Islands and was appointed as the holding company in July 2021 to hold the ordinary shares of the Company on trust for the Group's employees under the 2015 Global Share Plan ("**the Plan**") (note 25). As the Company has power to govern the relevant activities of Prime Forest and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the Plan, the directors of the Company consider that it is appropriate to regard Prime Forest as a branch of the Company. No statutory financial statements have been prepared by Prime Forest in the Track Record Period.

1.2 Subsidiaries

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is an investment holding company which is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation. The financial statements of the subsidiaries of the Group for which there are statutory requirements were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the jurisdictions in which they were incorporated or established.

As at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries, all of which are private companies:

Company name	Place and date of incorporation/ establishment	Particulars of issued/paid-up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by the subsidiaries	Principal activities
Directly held					
ClouDr Group HK Limited (formerly known as 91health Group HK Limited) *(note (h)(i)(j))*. . .	Hong Kong 4 September 2015	HKD1	100%	—	Investment holding
Indirectly held					
91health Shanghai Limited 上海運臻網絡科技有限公司 *(note (a)(b)(c)(k))*	PRC 24 November 2015	USD6,500,000	—	100%	Sale of products
Hangzhou Kangsheng Health Management Consultant Co., Ltd. ("**Kangsheng**") 杭州康晟健康管理諮詢有限公司 ("**Kangsheng**") *(note (a)(b)(c)(k))*	PRC 9 December 2014	RMB10,000,000	—	100%	Provision of SaaS services, digital marketing services, sale and marketing of products
Shanghai Yitong Culture Media Co., Ltd. 上海怡通文化傳媒有限公司 *(note (a)(h)(i)(j))*	PRC 31 March 2006	RMB 10,000,000	—	100%	Advertising services
Beijing Tangjian Technology Co., Ltd. 北京唐健科技有限公司 *(note (a)(b)(c)(k))*	PRC 10 April 2017	RMB1,000,000	—	60%	Advertising services

			Proportion of ownership interest		
Company name	Place and date of incorporation/ establishment	Particulars of issued/paid-up capital	Held by the Company	Held by the subsidiaries	Principal activities
Shandong Guoyitang Pharmaceutical Chain Co., Ltd. 山東國一堂大藥房連鎖有限公司 *(note (a)(b)(c)(k))*	PRC 1 August 2014	RMB10,000,000	—	100%	Sales of pharmaceutical products and medical devices
Shanghai Kangmeng Health Management Consultation Co., Ltd. 上海康檬健康管理諮詢有限公司 *(note (a)(b)(c)(k))*	PRC 22 January 2015	RMB5,000,000	—	100%	Rendering of digital marketing services
Tianjin Zhiyun Kanglian Technology Co., Ltd. 天津智雲康聯科技有限公司 *(note (a)(i)(j))*	PRC 9 April 2020	Nil	—	100%	Providing pharmacy SaaS solutions
Jiangsu Xinwange Medical Technology Co., Ltd. 江蘇新萬格醫療科技有限公司 *(note (a)(d)(h)(j))*	PRC 11 October 2018	RMB12,000,000	—	55%	Sales of pharmaceutical products and medical devices
Shanghai Kanghe Information Technology Service Co., Ltd. 上海康合信息技術服務有限公司 *(note (a)(b)(c)(j))*	PRC 6 May 2019	RMB900,000	—	90%	Rendering of digital marketing services
Chongqing Medical Public Creditability Medicine Wholesale Co., Ltd. 重慶醫藥公信網藥品批發有限公司 *(note (a)(e)(j))*	PRC 13 July 2015	RMB22,650,000	—	51%	Sales of pharmaceutical products and medical devices

Company name	Place and date of incorporation/ establishment	Particulars of issued/paid-up capital	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by the subsidiaries	Principal activities
Zhejiang Qilian Medicine Co., Ltd. 浙江啟聯醫藥有限公司 *(note (a)(f)(i)(j))*	PRC 8 May 2003	RMB20,000,000	—	55%	Sales of pharmaceutical products and medical devices
Held through Contractual Arrangements					
Hangzhou Kangming Information Technology Co., Ltd. 杭州康明信息技術有限公司 ("**Kangming**") *(note (a)(i)(k))*	PRC 11 December 2020	RMB24,000,000	—	100%	Provision of internet and e-commerce services
Yinchuan Zhiyun Internet Hospital Co., Ltd. 銀川智雲互聯網醫院有限公司 *(note (a)(b)(c)(k))*. . .	PRC 12 July 2017	Nil	—	100%	Providing pharmacy SaaS solution
Yinbang Insurance Brokerage Co., Ltd. 銀邦保險經紀有限公司 *(note (a)(g)(j))*	PRC 5 September 2011	RMB50,000,000	—	100%	Distribution of insurance companies' products

Notes:

(a) The official names of these entities are in Chinese. The English translation of the names is for identification purpose only.

(b) The entities prepared the financial statements for the year ended 31 December 2019 in accordance with the Accounting Standards for Business Enterprises (the "**PRC GAAP**"). The financial statements were audited by Beijing Hengxincheng Certified Public Accountants Co., Ltd. (北京恒信誠會計師事務所有限公司).

(c) The entities prepared the financial statements for the year ended 31 December 2020 in accordance with the PRC GAAP. The financial statements were audited by Hangzhou Xiaoshen Accountant Firm Co., Ltd. (杭州蕭審會計師事務所有限公司).

(d) The entity prepared the financial statements for the year ended 31 December 2020 in accordance with the PRC GAAP. The financial statements were audited by Lianyungang Yuda Certified Public Accountants (General Partnership) (連雲港譽達會計師事務所 (普通合夥)).

(e) The entity prepared the financial statements for the years ended 31 December 2019 and 2020 in accordance with the PRC GAAP. The financial statements for the years ended 31 December 2019 were audited by Chongqing Zhongding Accounting Office Co., Ltd. (重慶中鼎會計師事務所有限責任公司). The financial statements for the year ended 31 December 2020 were audited by Chongqing Hongyuan Certified Public Accountants Co., Ltd. (重慶鴻源會計師事務有限公司).

(f) The entity prepared the financial statements for the year ended 31 December 2019 in accordance with the PRC GAAP. The financial statements were audited by Hangzhou Tianming Certified Public Accountants (General Partnership) (杭州天銘會計師事務所 (普通合夥)).

(g) The entity prepared the financial statements for the years ended 31 December 2019 and 2020 in accordance with the PRC GAAP. The financial statements were audited by Shenzhen Dagong Certified Public Accountants (General Partnership) (深圳大公會計師事務所 (普通合夥)).

(h) No audited financial statements of these entities have been prepared for the year ended 31 December 2019.

(i) No audited financial statements of these entities have been prepared for the year ended 31 December 2020.

(j) No audited financial statements of these entities have been prepared for the year ended 31 December 2021.

(k) The entities prepared the financial statements for the year ended 31 December 2021 in accordance with the PRC GAAP. The financial statements were audited by Hangzhou Xiaoshen Accountant Firm Co., Ltd. (杭州蕭審會計師事務所有限公司).

All companies of the Group have adopted 31 December as their financial year end date.

The Historical Financial Information has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**"). Further details of the significant accounting policies adopted are set out in Note 2.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Historical Financial Information, the Group has adopted all applicable new and revised IFRSs that are effective during the Track Record Period. Except for Amendments to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*, the Group has not adopted any revised and new standards or interpretations issued but not yet effective for the accounting period beginning on 1 January 2021, the details of which are set out in note 33.

The Historical Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The accounting policies set out below have been applied consistently to all periods presented in the Historical Financial Information.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Going concern

Notwithstanding that the Group recorded net current liabilities of RMB7,362,393,000 and net liabilities of RMB7,155,131,000 as at 31 December 2021, which is primarily due to several rounds of financing by issuing convertible redeemable preferred shares (note 24) totaling RMB8,907,708,000 which is recognized as financial liabilities as at 31 December 2021, the Historical Financial Information has been prepared on a going concern basis based on the following:

— under the terms of related agreements, these preferred shares will automatically be converted into ordinary shares upon the closing of the **[REDACTED]** of the Company's shares.

— the directors of the Company do not expect that the convertible redeemable preferred shares would be redeemed within the next twelve months from 31 December 2021.

— the directors and management of the Company have considered that the preferred rights and the redemption features of these convertible redeemable preferred shares would be terminated upon **[REDACTED]** and the preferred shares will be converted into equity, leading to net current assets position and net assets position.

— the directors of the Company have reviewed the Group's cash flow projections, which cover a period of twelve months from the date of this report and are of the opinion that the Group will have sufficient working capital to meet its liabilities and obligations as and when they fall due and to sustain its operations for the next twelve months from the date of this report.

Accordingly, the directors of the Company are of the opinion that no material uncertainty exists for the Historical Financial Information to be prepared on a going concern basis.

(b) Basis of measurement

The Historical Financial Information is presented in RMB, rounded to the nearest thousand unless otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

— Financial assets at FVTPL (see note 2(f)); and

— Financial liabilities at FVTPL (see note 2(p)).

(c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses.

(i) Subsidiaries controlled through Contractual Arrangements

In order to comply with the PRC laws and regulations which prohibit or restrict foreign control of companies involved in provision of internet content and other restricted businesses, the Group operates its value-added telecommunication services, internet hospitals and offline medical institution services and insurance brokage services (the "**Relevant business**") in the PRC through certain PRC operating entities, whose equity interests are held by certain management members of the Group and certain investors of the Company ("**Nominee Shareholders**"). The Group signed Contractual Arrangements (the series of contractual arrangements entered into between, among others, 91health Hangzhou Limited (a wholly foreign owned enterprises or the "**WFOE**") and Kangming, Mr. Kuang Ming and Ms. Hu Yue) with the PRC operating entity. The Contractual Arrangements include exclusive consulting services agreement, exclusive purchase option agreement, equity pledge agreement, voting proxy agreement and loan agreements, which enable the Group to:

- govern the financial and operating policies of the PRC operating entity;
- exercise equity holder voting rights of the PRC operating entity;
- receive substantially all of the economic interest returns generated by the PRC operating entity in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase part or all of the equity interests in the PRC operating entity at any time and from time to time, at the minimum consideration permitted by the relevant law in China at the time of transfer; and
- obtain a pledge over all of its equity interests from its respective Nominee Shareholders as collateral for all of the PRC entity's payments due to the Group to secure performance of entities' obligation under the Contractual Arrangements.

Accordingly, the Group has rights to control the entity. As a result, it is presented as entity controlled by the Group.

(ii) Business combinations

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.

Acquisition-related costs are expensed as incurred.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability.

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i) then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in debt and equity securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss (FVTPL) for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 27(d). These investments are subsequently accounted for as follows, depending on their classification.

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see note 2(u)(ii)).

— fair value through other comprehensive income (FVOCI) — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— fair value through profit or loss (FVTPL) if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI, are recognised in profit or loss as other income.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(j)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follow:

— Electronic and production equipment	3–5 years
— Office Equipment	3–6 years
— Motor vehicles	3–5 years
— Leasehold improvements	1–5 years
— Right-of-use assets	Over the lease term

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see note 2(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(j)).

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(j)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

— Patent	10 years
— Software	2-10 years
— Exclusive rights	2-5 years
— License	2-5 years
— Customer relationship	5-10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

The patent useful life is determined based on the period of validity of patent protected by the relevant laws after considering the period of the economic benefits to the Group, technical obsolescence and estimates of useful lives of similar assets.

The software useful lives are determined to be the shorter of the period of contractual rights or estimated period during which such software can bring economic benefits to the Group considering the different purposes, usage of the software and technological obsolescence.

The customer relationship useful lives are determined with reference to each acquired business existing contract based on contract expiring dates, historical trend of termination or renewal rate and to the useful lives of customer relationships used by the industry peers.

(i) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

As a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group, are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(g) and 2(j)(ii)).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of IFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instruments

The Group recognises a loss allowance for expected credit losses (ECLs) on financial assets measured at amortised cost (including trade and bills receivables, other receivables, and cash and cash equivalents).

Other financial assets measured at fair value, including investments in wealth management products, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

— trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

— variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Evidence that a financial asset is credit-impaired includes the following observable events:

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— Right-of-use assets;

— intangible assets;

— goodwill; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest Group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

(i) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see note 2(j)(i)).

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in note 2(j)(i).

(n) Contract liabilities

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see note 2(u)). A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2(l)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see note 2(u)(ii)).

(o) Trade and other payables

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Convertible redeemable preferred shares and convertible loans

The Group designated convertible redeemable preferred shares as financial liabilities at FVTPL. They are initially recognised at fair value. Subsequent to initial recognition, the convertible redeemable preferred shares are re-measured to fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of convertible redeemable preferred shares that are attributable to changes in its own credit risk are presented in other comprehensive income.

The convertible loans contain both a debt component and an embedded derivative component (conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments). The convertible loans are accounted in its entirety at fair value. Subsequent to initial recognition, the convertible loans are re-measured to fair value at the end of each reporting period with changes in fair value being recognised in profit or loss, except that changes in fair value of the convertible loans that are attributable to changes in its own credit risk are presented in other comprehensive income.

(q) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see note 2(w)).

(r) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a share-based payments reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share-based payments reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the share-based payments reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the **[REDACTED]** of the Company's shares. The equity amount is recognised in the share-based payments reserve until either the option is exercised (when it is included in the amount recognised in share-based payments for the shares issued) or the option expires (when it is released directly to retained profits).

Modifications of an equity settled share-based payment arrangement are accounted for only if they are beneficial to the employee. If the Group modifies the terms and conditions of the equity instruments granted in a manner that reduces the fair value of the equity instruments granted, or is not otherwise beneficial to the employee, the Group continues to recognize the services received measured as the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(s) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(t) Provisions and contingent liabilities

Provisions are recognised when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group transfers control of goods or services and recognizes revenue over time, if one of the following criteria is met:

— The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

— The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

— The Group's performance 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 or services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods or services.

The Group derives revenue from sales of hospital supplies, pharmacy supplies and chronic condition products to individuals, rendering of digital marketing services, providing hospital SaaS and pharmacy SaaS, premium membership services and others.

(a) Sales of hospital supplies, pharmacy supplies and chronic condition products to individuals

Revenue from sales of hospital supplies, pharmacy supplies and chronic condition products to individuals is recognized at the point in time when control of the asset is transferred to customer, generally on acceptance of the pharmaceutical products and medical devices by the customer.

(b) Rendering of digital marketing services

Digital marketing services involve provision of professional medical marketing services to the pharmaceutical and medical device companies. The revenue is generally recognized when the services are rendered and completed.

(c) Providing hospital SaaS and pharmacy SaaS

The Group provides hospitals with SaaS that deliver digitalized clinic care for patients in-hospital. The pharmacy SaaS facilitate pharmacies with customer and resource management, such as in-store online consultation and prescription services for customers. The Group charges hospital/pharmacy a subscription fee with respect to the software offerings. Typical SaaS product contracts has terms of one year. The subscription fee is recognized over the contract period.

(d) Premium membership services

The Group provides instant, professional care for chronic conditions and other health management services for individuals through its individual chronic condition management platform. The Group charges individual members annual membership fees based on membership tiers and service packages. The Membership fee is recognised over the service period.

(e) Others

Others includes rendering insurance brokerage service and advertisement agent services.

— Rendering insurance brokerage service

The Group sells the consumer healthcare packages of different insurance companies to individual consumers on a retail basis or to corporate customers for the benefit of their employees on a wholesale basis, as an agent through its insurance brokerage service. The commission fees are generally charged as a percentage of sales of insurance slips depending on the product category and terms of contract companies. The revenue is generally recognized when the healthcare packages are sold and the Group has a present right to payment from the insurance companies since the Group has fulfilled its performance obligation to sell healthcare packages on behalf of the insurance companies.

— Rendering advertisement agent services

Revenue from advertisement agent services is primarily derived from commissions received for assisting advertising clients in obtaining advertising time on media platforms. When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the net amount of commission made by the Group. The revenue is generally recognized when the Group's advertising clients obtain the advertising time on media platforms.

(ii) Interest income

Interest income is recognised as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see note 2(j)(i)).

(iii) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are initially recognized as deferred income and are subsequently recognized in profit or loss over the useful life of the related asset.

(v) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Renminbi at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(z) Asset acquisition

Groups of assets acquired and liabilities assumed are assessed to determine if they are business or asset acquisitions. On an acquisition-by-acquisition basis, the Group chooses to apply a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When a group of assets acquired and liabilities assumed do not constitute a business, the overall acquisition cost is allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of acquisition. An exception is when the sum of the individual fair values of the identifiable assets and liabilities differs from the overall acquisition cost. In such case, any identifiable assets and liabilities that are initially measured at an amount other than cost in accordance with the Group's policies are measured accordingly, and the residual acquisition cost is allocated to the remaining identifiable assets and liabilities based on their relative fair values at the date of acquisition.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

(a) Expected credit losses for receivables

The credit losses for trade receivables and other receivables are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 27(a). Changes in these assumptions and estimates could materially affect the result of the assessment and the Group may make additional loss allowances in future periods.

(b) Fair value of financial instruments

The financial instruments issued by the Group mainly represents convertible redeemable preferred shares and convertible loans which are not traded in an active market and the respective fair value is determined by using valuation techniques. The Group uses its judgements to select a variety of methods and make assumptions that are mainly based on market conditions existing at the respective valuation dates. The Group has used discounted cash flow method and Backsolve method to determine the business value of the Group, and adopted the option pricing method to determine the fair value of convertible redeemable preferred shares and convertible loans, which involved the use of significant accounting estimates and judgements. Key assumptions such as risk-free rate, volatilities, weighted average cost of capital and discount for lack of marketability are disclosed in Note 24.

(c) Impairment of non-current assets (other than goodwill)

If circumstances indicate that the carrying amount of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of non-current assets as described in Note 2(j)(ii). These assets are tested for impairment whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable.

When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(d) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2(j)(ii). The recoverable amounts of cash-generating units have been determined based on the higher of the cash-generating units' fair value less costs to sell and its value in use. These calculations require the use of estimates which are disclosed in Note 13.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue from contracts with customers

(i) Disaggregation of revenue

The Group's product portfolio consists essentially of three major product or service lines, namely in-hospital solution, pharmacy solution and individual chronic condition management solution and others.

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Type of goods or services:			
In-hospital solution			
Hospital supplies	129,911	250,124	854,114
Hospital SaaS	11,857	22,660	15,666
Digital marketing services	35,448	149,391	402,958
Pharmacy solution			
Pharmacy supplies	326,863	330,480	300,961
Pharmacy SaaS	24	15,127	49,006
Individual chronic condition management solution and others			
Chronic condition products	15,704	34,846	53,031
Premium membership services	—	14,211	22,688
Others	4,631	22,284	58,307
	524,438	839,123	1,756,731
Timing of revenue recognition:			
Point in time	512,557	787,125	1,669,371
Over time	11,881	51,998	87,360
	524,438	839,123	1,756,731

During the Track Record Period, the Group's customers with whom transactions have exceeded 10% of the Group's revenue in the respective years are set out below:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Customer A	72,105	(*)	(*)

* Less than 10% of the Group's revenue in the respective year.

(ii) Revenue that expected to be recognised in the future arising from contracts in existence as at the end of each of the reporting period

The following table includes the aggregated amount of the transaction price allocated to the remaining unsatisfied performance obligations under the Group's existing contracts. This amount represents revenue expected to be recognised in the future when the Group satisfies the remaining performance obligations, which is expected to occur over the next 1 year to 2 years after the respective reporting period.

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Hospital SaaS	11,167	16,064	6,106
Pharmacy SaaS	727	33,241	47,477
Premium membership services	—	40,372	22,309
	11,894	89,677	75,892

(b) Segment reporting

IFRS 8, Operating Segments, requires identification and disclosure of operating segment information based on internal financial reports that are regularly reviewed by the Group's chief operating decision maker for the purpose of resources allocation and performance assessment. On this basis, as for the purpose of making decisions about resources allocation and performance assessment, the Group's management reviews on the operating results of the Group as a whole, the Group has determined that it only has one operating segment during the Track Record Period.

5 OTHER NET INCOME

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Government grants	391	3,138	17,715
Interest income	4,243	4,133	10,729
Net gain on disposal of a subsidiary *(note (i))*	—	—	618
Foreign exchange gain/(loss)	304	140	(153)
Others	(173)	(1,679)	1,007
	4,765	5,732	29,916

Note:

(i) The net gain on disposal of a subsidiary represents the net income from disposing a subsidiary, Tianjin Hexi District Youyixinhe Comprehensive Clinic Co., Ltd, to an independent third party at a consideration of RMB2,550,000.

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

(a) Finance costs

		Year ended 31 December		
	Note	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*
Interest expenses	*18(b)*	6,996	7,245	9,269
Interest on lease liabilities	*18(b)*	133	282	338
Issuance cost of financial liabilities at FVTPL *(note (i))*		50,278	49,976	51,554
Other financial cost		395	299	801
		57,802	57,802	61,962

Note:

(i) Issuance cost of financial liabilities at FVTPL include primarily the financial advisory fees, lawyer fees, due diligence fees and registration fees in connection with issuance of convertible redeemable preferred shares.

(b) Staff costs

	Note	Year ended 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Salaries, wages and other benefits		66,104	239,720	445,168
Contributions to defined contribution retirement plan *(note (i))*		3,811	1,950	19,872
Equity-settled share-based payment expenses	*25*	39,023	207,231	222,619
		108,938	448,901	687,659

Note:

(i) Employees of the Group are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments where the subsidiaries are registered. The Group contributes funds which are calculated on certain percentages of the average employee salary as agreed by the respective local municipal governments to the scheme to fund the retirement benefits of the employees.

According to <The notification about progressively relief corporate social insurance > (Department of human resource and social security [2020]11) and <notification about extension of implementation period for about progressively relief corporate social insurance> (Department of human resource and social security [2020]49), certain subsidiaries in the Group are entitled to relief of social insurance contribution from February 2020 to December 2020.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

(c) Other items

	Note	Year ended 31 December 2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*
Amortisation of intangible assets	*12*	6,377	27,977	71,132
Depreciation expenses	*11*	2,975	7,076	15,409
Write down of inventories	*14*	—	5,353	2,134
Changes in fair value of financial liabilities	*24*	326,583	2,003,371	3,397,634
Impairment loss on trade receivables	*15*	2,791	8,357	2,718
Cost of inventories	*14*	455,187	576,714	1,084,105

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current tax	13	291	1,774
Deferred tax	—	(1,257)	(4,088)
	13	(966)	(2,314)

(b) Reconciliation between tax expense and accounting loss at applicable tax rates:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Loss before taxation	(565,376)	(2,897,855)	(4,155,507)
Notional tax calculated at tax rate of 25% and 20% *(note (i))*	(141,396)	(725,150)	(1,039,579)
Different tax rates in foreign tax jurisdictions *(notes (ii)(iii))*	74,675	472,097	835,383
Tax effect of non-deductible expenses	17,323	42,518	38,739
Additional deduction qualified research and development costs *(note (iv))*	(5,647)	(16,193)	(44,296)
Utilisation of previously unrecognised tax losses	—	(158)	(3,806)
Deductible temporary differences not recognized as deferred taxes	5,512	24,786	3,495
Unrecognized deductible losses	49,546	201,134	207,750
	13	(966)	(2,314)

Notes:

(i) The subsidiaries of the Group established in the Mainland China (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% and 20%, which certain subsidiaries are identified as micro and small business during the Track Record Period.

(ii) Pursuant to the rules and regulations of the Cayman Islands ("**BVI**"), the Company and the Group's BVI subsidiaries are not subject to income tax in those jurisdictions.

(iii) The Company's subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at 16.5% of the estimated assessable profit. No provision for Hong Kong Profits Tax has been made, as the subsidiary of the Group incorporated in Hong Kong did not have assessable profits which are subject to Hong Kong Profits Tax during the Track Record Period.

(iv) Effective from 1 January 2019 to 31 December 2021, an additional 75% of qualified research and development expenses incurred is allowed to be deducted from taxable income under the PRC income tax law and its relevant regulations.

(c) Deferred tax assets not recognised

As at 31 December 2019, 2020 and 2021, the Group has unused tax losses of approximately RMB428 million, RMB1,233 million and RMB2,060 million, respectively, available for offset against future profits. No deferred tax assets have been recognised in respect of the tax losses due to the unpredictability of future profits streams.

Pursuant to the notice of the Ministry of Finance and the State Administration of Taxation on extending the loss carrying forward period of high-tech enterprises and high-tech small and medium enterprises (Cai Shui [2018] No. 76), with effect from 1 January 2018, losses of qualified high-tech enterprises and high-tech small and medium enterprises in the current year occurred five years before the year in which they become qualified and have not been made up shall be allowed to be carried forward to subsequent years to be made up, and the maximum carry-forward period shall be extended from five years to 10 years. Kangsheng was qualified as high-tech small and medium enterprise and the unused tax losses of Kangsheng will be expired in 10 years from the year that the tax loss was occurred.

The unused tax losses will be expired as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
2020	(7,672)	—	—
2021	(24,984)	(26,967)	—
2022	(17,481)	(17,358)	(17,352)
2023	(45,596)	(46,963)	(50,519)
2024	(93,282)	(98,650)	(101,156)
2025	(10,424)	(328,914)	(329,926)
2026	(27,405)	(27,405)	(194,900)
2027	(47,777)	(47,777)	(47,777)
2028	(48,090)	(48,090)	(48,090)
2029	(104,901)	(104,901)	(104,901)
2030	—	(486,040)	(486,040)
2031	—	—	(679,461)
	(427,612)	(1,233,065)	(2,060,122)

8 DIRECTORS' EMOLUMENTS

Details of the emoluments of the director during the Track Record Period are as follows:

Year ended 31 December 2019	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments *(note (a))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director							
Kuang Ming	—	217	76	15	308	20,022	20,330

Year ended 31 December 2020	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments *(note (a))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director							
Kuang Ming	—	218	101	4	323	147,100	147,423

Year ended 31 December 2021	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Equity-settled share-based payments *(note (a))*	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director							
Kuang Ming	—	980	510	25	1,515	14,594	16,109
Non-executive director							
Lee Kar Chung Felix	—	—	—	—	—	—	—
	—	980	510	25	1,515	14,594	16,109

Notes:

(a) These represent the estimated value of share options/restricted share units granted to the directors under the 2015 Global Share Plan. The value of these equity instruments are measured according to the Group's accounting policies for share-based payment transactions and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting. The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 25.

(b) Lee Kar Chung Felix was appointed as non-executive director of the Company on 21 May 2021. Hong Weili, Zhang Saiyin and Ang Khai Meng will be appointed as independent non-executive director of the Company on **[REDACTED]**. During the Track Record Period, no remuneration had been rendered to them.

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

During the Track Record Period, of the five individuals with the highest emoluments, one is a director of the Company for each of the year ended 31 December 2019, 2020 and 2021, respectively, whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowance and benefit in kind	2,364	2,553	3,872
Discretionary bonuses	500	719	1,548
Share based payment expenses	18,006	49,382	139,338
	20,870	52,654	144,758

The emoluments of the individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Year ended 31 December		
	2019	**2020**	**2021**
	Number of individuals	*Number of individuals*	*Number of individuals*
HKD0–HKD1,000,000	2	—	—
HKD2,500,001–HKD3,000,000	—	1	—
HKD5,500,001– HKD6,000,000	—	1	—
HKD7,000,001–HKD7,500,000	1	—	—
HKD8,500,001–HKD9,000,000	—	1	1
HKD14,500,001–HKD15,000,000	1	—	—
HKD36,500,001–HKD37,000,000	—	—	1
HKD38,500,001–HKD39,000,000	—	—	1
HKD44,500,001–HKD45,000,000	—	1	—
HKD90,000,001– HKD90,500,000	—	—	1

10 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share during the Track Record Period is based on the loss for the year attributable to ordinary equity shareholders of the Company divided by the weighted average number of ordinary shares in issue during the Track Record Period.

Weighted average number of ordinary shares for the purpose of basic loss per share:

	Year ended 31 December		
	2019	**2020**	**2021**
	Number of shares *'000*	*Number of shares* *'000*	*Number of shares* *'000*
Issued ordinary shares and ordinary shares deemed to be in issue at the beginning of the year	72,283	77,173	92,206
Effect of ordinary shares issue	94	4,938	—
Effect of ordinary shares deemed to be in issue *(note (i))*	—	118	—
Effect of share options exercised *(note 26(c))*	—	—	4,327
Weighted average number of ordinary shares and ordinary shares deemed to be in issue for the year	72,377	82,229	96,533

Note:

(i) The ordinary shares deemed to be in issue represent the vested share options granted to qualified directors and employees with notional exercise price, which are issuable subject only to the passage of time.

(b) Diluted loss per share

The convertible redeemable preferred shares, convertible loans and share options (note 25) were excluded from the calculation of diluted loss per share because their effect would have been anti-dilutive. The diluted loss per share is the same as the basic loss per share during the Track Record Period.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Electronic and production equipment	Office Equipment	Motor vehicles	Leasehold improvement	Construction in progress	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:							
At 1 January 2019	2,402	686	489	276	—	2,750	6,603
Additions	523	155	568	—	—	5,118	6,364
Disposals	(14)	(89)	—	—	—	(1,532)	(1,635)
At 31 December 2019	2,911	752	1,057	276	—	6,336	11,332
At 1 January 2020	2,911	752	1,057	276	—	6,336	11,332
Additions	5,777	1,515	2,035	879	3,866	6,663	20,735
Addition through acquisition of subsidiaries *(note 18(d))*	3,427	857	98	754	—	—	5,136
Transfer from CIP	—	—	—	3,849	(3,849)	—	—
Disposals	(241)	(97)	(1,647)	—	(10)	(896)	(2,891)
At 31 December 2020	11,874	3,027	1,543	5,758	7	12,103	34,312
At 1 January 2021	11,874	3,027	1,543	5,758	7	12,103	34,312
Additions	9,216	801	3,970	1,312	1,462	12,529	29,290
Addition through acquisition of subsidiaries *(note 18(d))*	713	37	449	602	—	—	1,801
Transfer from CIP	24	—	—	427	(451)	—	—
Disposals	(22)	(91)	(1,722)	—	—	(4,368)	(6,203)
Decrease through the disposal of a subsidiary	(172)	(589)	—	(1,094)	—	—	(1,855)
At 31 December 2021	21,633	3,185	4,240	7,005	1,018	20,264	57,345
Accumulated depreciation:							
At 1 January 2019	(1,173)	(407)	(126)	(192)	—	(1,235)	(3,133)
Charge for the year	(702)	(117)	(171)	(82)	—	(1,903)	(2,975)
Written back on disposals	14	26	—	—	—	1,532	1,572
At 31 December 2019	(1,861)	(498)	(297)	(274)	—	(1,606)	(4,536)
At 1 January 2020	(1,861)	(498)	(297)	(274)	—	(1,606)	(4,536)
Charge for the year	(877)	(436)	(222)	(969)	—	(4,572)	(7,076)
Written back on disposals	150	63	491	—	—	896	1,600
At 31 December 2020	(2,588)	(871)	(28)	(1,243)	—	(5,282)	(10,012)

	Electronic and production equipment	Office Equipment	Motor vehicles	Leasehold improvement	Construction in progress	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2021	(2,588)	(871)	(28)	(1,243)	—	(5,282)	(10,012)
Charge for the year	(3,260)	(678)	(997)	(2,665)	—	(7,809)	(15,409)
Written back on disposals	2	85	160	—	—	2,698	2,945
Written back through the disposal of a subsidiary	94	322	—	928	—	—	1,344
At 31 December 2021	(5,752)	(1,142)	(865)	(2,980)	—	(10,393)	(21,132)
Net book value:							
At 31 December 2021	15,881	2,043	3,375	4,025	1,018	9,871	36,213
At 31 December 2020	9,286	2,156	1,515	4,515	7	6,821	24,300
At 31 December 2019	1,050	254	760	2	—	4,730	6,796

Additions to right-of-use assets were RMB5,118,000, RMB6,663,000, RMB12,529,000 for each of the financial year ended 31 December 2019, 2020 and 2021, respectively. This amount primarily related to the capitalised lease payments payable under new tenancy agreements.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	As at December 31		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets	1,903	4,572	7,809
Interest on lease liabilities *(Note 6(a))*	133	282	338

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 18(c) and 23, respectively.

12 INTANGIBLE ASSETS

	Patents	Softwares	Exclusive rights	Licenses	Customer relationships	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2019	416	—	—	—	—	416
Additions *(note (i))*	—	—	3,000	—	—	3,000
Addition through acquisition of subsidiaries *(note 18(d))*	—	—	32,159	—	—	32,159
At 31 December 2019	416	—	35,159	—	—	35,575
At 1 January 2020	416	—	35,159	—	—	35,575
Additions *(note (i))*	2	6,527	33,620	—	—	40,149
Addition through acquisition of subsidiaries *(note 18(d))*	—	638	20,982	37,055	11,440	70,115
At 31 December 2020	418	7,165	89,761	37,055	11,440	145,839
At 1 January 2021	418	7,165	89,761	37,055	11,440	145,839
Additions *(note (i))*	—	1,822	61,100	—	—	62,922
Addition through acquisition of subsidiaries *(note 18(d))*	—	2,714	27,420	—	32,200	62,334
Decrease through the disposal of a subsidiary	—	(102)	—	(1,690)	—	(1,792)
At 31 December 2021	418	11,599	178,281	35,365	43,640	269,303
Accumulated amortisation:						
At 1 January 2019	(7)	—	—	—	—	(7)
Charge for the year	(42)	—	(6,335)	—	—	(6,377)
At 31 December 2019	(49)	—	(6,335)	—	—	(6,384)
At 1 January 2020	(49)	—	(6,335)	—	—	(6,384)
Charge for the year	(43)	(60)	(22,944)	(4,167)	(763)	(27,977)
At 31 December 2020	(92)	(60)	(29,279)	(4,167)	(763)	(34,361)
At 1 January 2021	(92)	(60)	(29,279)	(4,167)	(763)	(34,361)
Charge for the year	(40)	(2,341)	(52,692)	(11,881)	(4,178)	(71,132)
Written back through the disposal of a subsidiary	—	14	—	759	—	773
At 31 December 2021	(132)	(2,387)	(81,971)	(15,289))	(4,941)	(104,720)

	Patents	Softwares	Exclusive rights	Licenses	Customer relationships	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net book value:						
At 31 December 2021	286	9,212	96,310	20,076	38,699	164,583
At 31 December 2020	326	7,105	60,482	32,888	10,677	111,478
At 31 December 2019	367	—	28,824	—	—	29,191

The amortisation charge for the year is included in "Cost of sales", "Selling and marketing expenses" and "Administrative expenses" in the consolidated statement of profit or loss.

Note:

(i) For the year ended 31 December 2019, 2020 and 2021, the Group entered into several agreements with independent third parties, pursuant to which, the Group agreed to acquire exclusive rights for certain medical devices and drugs at consideration of RMB3,000,000, RMB33,620,000 and RMB61,100,000.

Acquisition of subsidiaries

(a) Acquisition of Shanghai Kaili Feng Pharmaceutical Consulting Co., Ltd. ("Kaili Feng")

On 2 August 2019, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Kaili Feng at a total consideration of RMB31,822,000 (note 18(d)) and the transaction was completed in December 2019. Kaili Feng held exclusive rights for distributing some brands medicines in authorized districts. The transaction is accounted for as acquisition of assets, rather than a business combination, given that no sales teams with necessary skills, knowledge or experience to perform the distribution activities were transferred and therefore no substantive process was acquired in the transaction. Further details of the net assets acquired are set out in note 18(d).

(b) Acquisition of Hainan Youyi Technology Co., Ltd. ("Youyi")

On 5 May 2019, the Group entered into a sale and purchase agreement to acquire 60% equity interest in Youyi at a total consideration of RMB3,354,000 (note 18(d)) and the transaction was completed in September 2020. Youyi held Medical Institution Practice Licenses through its subsidiaries, Hainan Zhiyun Internet Hospital Co., Ltd. and Hainan Zhiyun Telemedicine Center Co., Ltd.. The transaction is accounted for as an acquisition of assets, rather than a business combination, given that no operating teams with necessary skills, knowledge or experience to perform the license operating were transferred and therefore no substantive process was acquired in the transaction. Further details of the net assets acquired are set out in note 18(d).

(c) Acquisition of Guangzhou Renlian Medical Consulting Co., Ltd. ("Renlian")

On 30 September 2020, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Renlian at a total consideration of RMB16,800,000 (note 18(d)) and the transaction was completed in October 2020. Renlian held an exclusive right for distributing a brand medicine in authorized districts. The transaction is accounted for as acquisition of assets, rather than a business combination, given that no sales teams with necessary skills, knowledge or experience to perform the distribution activities were transferred and therefore no substantive process was acquired in the transaction. Further details of the net assets acquired are set out in note 18(d).

(d) Acquisition of Zhejiang Jijia Pharmaceutical Technology Co., Ltd. ("Zhejiang Jijia")

On 28 May 2021, the Group entered into a sale and purchase agreement to acquire 100% equity interest in Zhejiang Jijia at a total consideration of RMB27,420,000 (note 18(d)) and the transaction was completed in June 2021. Zhejiang Jijia held an exclusive right for distributing a brand medicine in authorized districts. The transaction is accounted for as acquisition of assets, rather than a business combination, given that no sales teams with necessary skills, knowledge or experience to perform the distribution activities were transferred and therefore no substantive process was acquired in the transaction. Further details of the net assets acquired are set out in note 18(d).

13 GOODWILL

	Goodwill
	RMB'000
Cost and net carrying amount at 31 December 2019	—
Acquisitions through business combination *(note 28)*	19,017
Cost and net carrying amount at 31 December 2020	19,017
Acquisitions through business combination *(note 28)*	7,002
Decrease through the disposal of a subsidiary	(394)
Cost and net carrying amount at 31 December 2021	25,625

For purpose of impairment testing, goodwill acquired through business combination (as disclosed in note 28 for details) were allocated to respective cash-generating units (CGUs) representing the lowest level within the Group for which the goodwill is monitored for internal management purpose. The significant CGUs include Jiangsu Xinwange Medical Technology Co., Ltd. ("**Jiangsu Xinwange**"), Yinbang Insurance Brokerage Co., Ltd. ("**Yinbang Insurance**"), Shanghai Yitong Culture Media Co., Ltd. ("**Shanghai Yitong**") and Zhejiang Qilian Medicine Co., Ltd. ("**Zhejiang Qilian**"). The goodwill allocated to the significant CGUs are set out as follows:

	At 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Jiangsu Xinwange	8,337	8,337
Yinbang Insurance	8,033	8,033
Shanghai Yitong	2,253	2,253
Zhejiang Qilian	—	6,015

Impairment review on the goodwill has been conducted by the management as of 31 December 2020 and 2021. The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate. The growth rates used do not exceed the long-term average growth rates for the business in which the CGU operates.

Key assumptions of the significant CGUs as at 31 December 2020 and 2021 are set out as follows:

	At 31 December 2020		
	Jiangsu Xinwange	**Yinbang Insurance**	**Shanghai Yitong**
Revenue 2021 (% annual growth rate)	200.0%	50.0%	5.0%
Revenue 2022-2025 (% annual growth rate)	6.0%-8.0%	6.0%-20.0%	6.0%-9.0%
Long-term growth rate	3.0%	3.0%	3.0%
Pre-tax discount rate	13.0%	21.0%	23.5%

	At 31 December 2021			
	Jiangsu Xinwange	**Yinbang Insurance**	**Shanghai Yitong**	**Zhejiang Qilian**
Revenue 2022 (% annual growth rate).	5.0%	15.0%	10.0%	4.4%
Revenue 2023-2026 (% annual growth rate)	5.0%	8.0%-14.0%	5.0%-10.0%	3.0%
Long-term growth rate	3.0%	3.0%	3.0%	3.0%
Pre-tax discount rate	12.6%	21.1%	22.5%	12.7%

Details of the headroom calculated based on the recoverable amounts deducting the carrying amount allocated for the significant CGUs as at 31 December 2020 and 2021 are set out as follows:

	At 31 December	
	2020	**2021**
	RMB'000	*RMB'000*
Jiangsu Xinwange	20,495	51,781
Yinbang Insurance	5,227	11,553
Shanghai Yitong	457	643
Zhejiang Qilian	—	19,833

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate during the 5-year forecast and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2020 and 2021:

	At 31 December 2020		
	Jiangsu Xinwange	**Yinbang Insurance**	**Shanghai Yitong**
Annual growth rate of revenue during the 5-year forecast	-1.4%	-3.0%	-1.1%
Pre-tax discount rate	1.3%	2.2%	0.9%

	At 31 December 2021			
	Jiangsu Xinwange	**Yinbang Insurance**	**Shanghai Yitong**	**Zhejiang Qilians**
Annual growth rate of revenue during the 5-year forecast	-8.3%	-7.1%	-2.1%	-9.1%
Pre-tax discount rate	3.1%	6.2%	3.0%	1.1%

The directors of the Company determined no impairment on goodwill was required as at 31 December 2020 and 2021 with reference to the recoverable amounts. With regard to the assessment of the VIU of the CGUs, the directors of the Company believe that any reasonably possible change in any of the above key assumptions would not cause the carrying value, including goodwill, of the CGUs to exceed the recoverable amounts.

14 INVENTORIES

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Finished goods	141,968	59,405	110,924

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount of inventories sold	455,187	576,714	1,084,105
Write down of inventories	—	5,353	2,134
	455,187	582,067	1,086,239

The write down of inventories is due to expiry of medicines.

15 TRADE AND BILLS RECEIVABLES

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	148,186	289,294	484,250
Less: Loss allowance	(4,725)	(13,082)	(15,800)
	143,461	276,212	468,450
Bills receivables	15,698	22,333	28,816
	159,159	298,545	497,266

(a) Ageing analyses

As of the end of each reporting period, the ageing analysis of trade and bills receivable, based on the date revenue is recognised and net of loss allowance, of the Group are as follows:

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	145,270	272,813	348,533
4 to 6 months	13,139	9,657	78,413
7 to 12 months	750	16,075	70,320
	159,159	298,545	497,266

All the trade and bills receivables are expected to be recovered within one year. Further details on the Group's credit policy and credit risk are set out in note 27(a).

(b) Impairment of trade receivables

Movement in the loss allowance account in respect of trade receivables during each reporting period is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January	1,934	4,725	13,082
Impairment losses recognised	2,791	8,357	2,718
At the end of the year	4,725	13,082	15,800

16 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Prepayments for inventories and services	89,132	99,832	164,679
Deposits	29,429	67,199	139,538
Advances due from third parties *(note (i))*	33,034	46,620	33,601
Purchase rebate with suppliers	19,768	11,129	15,616
Value-added tax recoverable	10,257	15,757	29,949
Amounts due from staffs in relation to share-based payment and others	3,069	10,520	18,641
Amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans *(note (ii))*	36,974	1,957	—
Prepayments for costs incurred in connection with the **[REDACTED]** of the Company's shares *(note (iii))*	—	—	**[REDACTED]**
Prepayments for **[REDACTED]**	—	—	**[REDACTED]**
Others	2,161	7,357	9,019
	223,824	260,371	420,045

Notes:

All of the prepayments, deposits and other receivables are expected to be recovered and recognised as expenses within one year.

(i) As at 31 December 2019, 2020 and 2021, the loss allowance on advances due from third parties was measured based on the 12-month expected credit loss and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Amounts due from third parties were non-trade, unsecured, non-interest bearing and repayable on demand.

(ii) Amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans refer to the unpaid purchase consideration by investors due to commercial consideration and funding availability. As at each Track Record Period end, the related investors have been entitled to related investor rights on the Group but had not paid the relevant consideration. All the unpaid consideration was settled as at 31 July 2021.

(iii) The balance will be transferred to the share premium account within equity upon the **[REDACTED]** of the Company's shares on the Stock Exchange.

The Company

The balance of prepayments, deposits and other receivables as at 31 December 2019 represent the receivable consideration to issuance of convertible redeemable preferred shares.

17 FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets measured at fair value through profit or loss represent wealth management products purchased from banks in the PRC with variable interest, and will mature within one year as of the end of each of the reporting period.

18 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

The Group

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	601,164	914,226	1,225,497
Less: restricted cash for payable insurance premium *(note 20)*	—	—	134,922
Cash and cash equivalent	601,164	914,226	1,090,575

The Company

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	200,163	16,072	53,556

The restricted cash for payable insurance premium represents the cash collected from the insured on behalf of insurance companies but not yet remitted to the insurance companies as of 31 December 2021.

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated cash flow statement as cash flows from financing activities.

	Bank and other loans	Financial liabilities at FVTPL	Lease Liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 24)*	*(Note 23)*	
At 1 January 2019	63,735	572,316	1,468	637,519
Changes from financing cash flows:				
Proceeds from bank and other loans	205,900	—	—	205,900
Repayment of bank and other loans	(185,735)	—	—	(185,735)
Interest expenses paid	(6,996)	—	—	(6,996)
Proceeds from issuance of convertible redeemable preferred shares and convertible loans	—	832,720	—	832,720
Proceeds from issuance of convertible redeemable preferred shares to settle convertible loans	—	11,580	—	11,580
Payment of repurchase of convertible loans for issuance of convertible redeemable preferred shares	—	(11,247)	—	(11,247)
Payment of repurchase of convertible redeemable preferred shares and convertible loans	—	(6,037)	—	(6,037)
Payment of capital element of lease liabilities	—	—	(2,132)	(2,132)
Payment of interest element of lease liabilities	—	—	(133)	(133)
Total changes from financing cash flows	13,169	827,016	(2,265)	837,920

	Bank and other loans	Financial liabilities at FVTPL	Lease Liabilities	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 22)	*(Note 24)*	*(Note 23)*	
Exchange adjustments	—	3,483	—	3,483
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	—	5,118	5,118
Interest expenses	6,996	—	133	7,129
Changes in fair value through profit or loss	—	326,583	—	326,583
Changes of amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans	—	34,915	—	34,915
Changes of payables for repurchase of convertible redeemable preferred shares	—	(43,984)	—	(43,984)
Total other changes	6,996	317,514	5,251	329,761
At 31 December 2019	83,900	1,720,329	4,454	1,808,683
At 1 January 2020	83,900	1,720,329	4,454	1,808,683
Changes from financing cash flows:				
Proceeds from bank and other loans	326,111	—	—	326,111
Repayment of bank and other loans	(208,000)	—	—	(208,000)
Interest expenses paid	(7,245)	—	—	(7,245)
Proceeds from issuance of convertible redeemable preferred shares and convertible loans	—	949,987	—	949,987
Proceeds from issuance of convertible redeemable preferred shares to settle convertible loans	—	66,529	—	66,529
Payment of repurchase of convertible loans for issuance of convertible redeemable preferred shares	—	(75,799)	—	(75,799)
Payment of repurchase of convertible redeemable preferred shares and convertible loans	—	(35,867)	—	(35,867)
Payment of capital element of lease liabilities	—	—	(4,562)	(4,562)
Payment of interest element of lease liabilities	—	—	(282)	(282)
Total changes from financing cash flows	110,866	904,850	(4,844)	1,010,872

	Bank and other loans	Financial liabilities at FVTPL	Lease Liabilities	Total
	RMB'000 *(Note 22)*	*RMB'000* *(Note 24)*	*RMB'000* *(Note 23)*	*RMB'000*
Exchange adjustments	—	(151,240)	—	(151,240)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	—	—	6,663	6,663
Addition through acquisition of subsidiaries *(note 18(d))*	1,500	—	—	1,500
Interest expenses	7,245	—	282	7,527
Changes in fair value through profit or loss	—	2,003,371	—	2,003,371
Changes of amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans	—	(35,017)	—	(35,017)
Changes of payables for repurchase of convertible redeemable preferred shares	—	35,867	—	35,867
Total other changes	8,745	2,004,221	6,945	2,019,911
At 31 December 2020	203,511	4,478,160	6,555	4,688,226

	Bank and other loans	Financial liabilities at FVTPL	Lease Liabilities	Other payables and accrued expenses	Total
	RMB'000 *(Note 22)*	*RMB'000* *(Note 24)*	*RMB'000* *(Note 23)*	*RMB'000* *(Note 20)*	*RMB'000*
At 1 January 2021	203,511	4,478,160	6,555	—	4,688,226
Changes from financing cash flows:					
Proceeds from bank and other loans	370,256	—	—	—	370,256
Advances from a non-controlling shareholder of the Group	—	—	—	7,300	7,300
Repayment of bank and other loans	(476,599)	—	—	—	(476,599)
Repayment to a non-controlling shareholder of the Group	—	—	—	(6,300)	(6,300)
Interest expenses paid	(9,269)	—	—	—	(9,269)
Proceeds from issuance of convertible redeemable preferred shares	—	1,183,526	—	—	1,183,526
Proceeds from issuance of convertible redeemable preferred shares to settle convertible loans	—	213,930	—	—	213,930
Payment of repurchase of convertible loan for issuance of convertible redeemable preferred shares	—	(214,354)	—	—	(214,354)

	Bank and other loans	Financial liabilities at FVTPL	Lease Liabilities	Other payables and accrued expenses	Total
	RMB'000 *(Note 22)*	*RMB'000* *(Note 24)*	*RMB'000* *(Note 23)*	*RMB'000* *(Note 20)*	*RMB'000*
Payment of repurchase of convertible redeemable preferred shares and convertible loans	—	(8,117)	—	—	(8,117)
Payment of capital element of lease liabilities	—	—	(8,694)	—	(8,694)
Payment of interest element of lease liabilities	—	—	(338)	—	(338)
Total changes from financing cash flows	(115,612)	1,174,985	(9,032)	1,000	1,051,341
Exchange adjustments	—	(149,231)	—	—	(149,231)
Other changes:					
Increase in lease liabilities from entering into new leases during the year	—	—	12,529	—	12,529
Interest expenses	9,269	—	338	—	9,607
Changes in fair value through profit or loss	—	3,397,634	—	—	3,397,634
Changes of amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans	—	(1,957)	—	—	(1,957)
Changes of payables for repurchase of convertible redeemable preferred shares	—	8,117	—	—	8,117
Addition through acquisition of subsidiaries *(note 18(d))*	17,215	—	—	—	17,215
Disposal	—	—	(1,467)	—	(1,467)
Total other changes	26,484	3,403,794	11,400	—	3,441,678
At 31 December 2021	114,383	8,907,708	8,923	1,000	9,032,014

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	Year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Lease rentals paid in financing cash flows	2,265	4,844	9,032

(d) Net cash outflow arising from the acquisition of subsidiaries

The recognised amounts of assets acquired and liabilities assumed at the dates of acquisition of the subsidiaries that constitute business combinations and acquisition of assets comprise the following:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Intangible assets *(note 12)*	32,159	70,115	62,334
Property, plant and equipment *(note 11)*	—	5,136	1,801
Cash and cash equivalents	94	10,795	5,724
Trade receivables	—	16,794	47,638
Inventories	—	6,972	37,707
Prepayments and other receivables	—	46,661	26,848
Other current assets	—	1,441	—
Trade payables	—	(10,331)	(50,071)
Other payables and accrued expenses	(431)	(18,710)	(30,177)
Contract liabilities	—	(4,418)	(1,000)
Bank and other loans	—	(1,500)	(17,215)
Deferred tax liabilities	—	(11,888)	(8,050)
Other non-current liabilities	—	(10,000)	—
Net identifiable assets and liabilities	31,822	101,067	75,539
Less: Non-controlling interests	—	15,821	21,775
Add: Goodwill arising from the acquisition *(note 13)*	—	19,017	7,002
Total consideration	31,822	104,263	60,766
Less: Consideration payable	9,462	9,151	8,800
Consideration prepayment	—	1,670	—
Fair value of share options issued by the Company	—	—	2,546
Total consideration paid in cash	22,360	93,442	49,420
Less: Cash of subsidiary acquired	94	10,795	5,724
	22,266	82,647	43,696

19 TRADE PAYABLES

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Payables for inventories and services	52,507	76,032	67,763

All of the trade payables are expected to be settled within one year or are repayable on demand.

The aging analyses of trade payables, based on the transaction date, are as follows:

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	52,068	76,032	67,763
More than 1 year	439	—	—
	52,507	76,032	67,763

20 OTHER PAYABLES AND ACCRUED EXPENSES

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Salary and welfare payables	11,495	56,376	86,041
Payables for flexible staffs	20,237	78,684	124,203
Tax payables	275	1,521	9,928
Payables for acquiring of subsidiaries and exclusive rights	9,462	18,137	13,420
Refund liabilities	8,272	14,646	18,424
Payables for **[REDACTED]**	—	—	**[REDACTED]**
Advance from a non-controlling shareholder of the Group	—	—	1,000
Payables for repurchase of convertible redeemable shares	43,984	8,117	—
Payables for issuance cost of financial liabilities at FVTPL	43,523	—	13,477
Payables for Insurance premium *(note 18(a))*	—	—	134,922
Deposits and others	12,789	7,454	29,807
	150,037	184,935	456,555

The Company

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Payables for subsidiaries paid on behalf of the Company for repurchase of convertible redeemable preferred shares. .	—	82,331	—
Payables for repurchase of convertible redeemable preferred shares.	43,984	8,117	—
Payables for issuance cost of financial liabilities at FVTPL	31,922	—	13,477
Payables for **[REDACTED]**	—	—	**[REDACTED]**
others	2,209	2,066	—
	78,115	92,514	38,810

All of the other payables and accrued expenses are expected to be settled or recognised as income within one year or are repayable on demand.

Insurance premium payables are insurance premiums collected from the insured on behalf of insurance companies but not yet remitted to the insurance companies as of 31 December 2021. Of this amount, the Group had paid RMB59,836,558 to the insurance companies as of 31 January 2022.

21 CONTRACT LIABILITIES

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Sales of pharmaceuticals, consumables, medical devices and miscellaneous	10,727	28,907	16,675
Providing services.	11,970	91,830	76,918
	22,697	120,737	93,593

Contract liabilities primarily arises from relates to the considerations received from customers before the Group satisfying performance obligations. It would be recognized as revenue upon the rendering of goods and services.

22 BANK AND OTHER LOANS

Analysis of the carrying value of bank and other loans is as follows:

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Bank loans			
— Guaranteed by a subsidiary of the Group and related parties *(note (i))*	49,900	195,511	—
— Guaranteed by a subsidiary of the Group *(note (ii))*	—	—	69,963
— Guaranteed by related parties *(note (iii))*	19,000	—	10,420
— Guaranteed by third parties and related parties *(note (iv))*	15,000	3,000	—
— Guaranteed by third parties and a subsidiary of the Group and related parties *(note (v))*	—	5,000	—
— Guaranteed by third parties *(note (vi))*	—	—	25,000
	83,900	203,511	105,383
Other loans from third parties:			
— Secured by the Group's trade receivables	—	—	9,000
Total	83,900	203,511	114,383

Notes:

(i) These bank loans were guaranteed by 91health Shanghai Limited or Hangzhou Kangsheng Health Management Consulting Co., Ltd and jointly guaranteed by Mr. Kuang Ming and his spouse.

(ii) These bank loans were guaranteed by 91health Shanghai Limited or 91health Hangzhou Limited. These guarantees will be released upon the repayment of the related bank loans.

(iii) As at 31 December 2019, these bank loans were guaranteed by Mr. Kuang Ming and his spouse. As at 31 December 2021, these bank loans were guaranteed by the ultimate beneficial owners of the Group's non-controlling shareholder, which will be released in March and August 2022 respectively in accordance with related agreement. The directors do not expect to release the guarantees ahead of the agreed schedule.

(iv) These bank loans were guaranteed by third party guarantee companies and jointly guaranteed by Mr. Kuang Ming and his spouse.

(v) These bank loans were jointly guaranteed by third party guarantee companies and Hangzhou Kangsheng Health Management Consulting Co., Ltd. or 91health Shanghai Limited and jointly guaranteed by Mr. Kuang Ming and his spouse.

(vi) These bank loans were guaranteed by third party guarantee companies. These guarantees will be released upon the repayment of the related bank loans.

As at 31 December 2019, 2020 and 2021, the bank and other loans were repayable within 1 year or on demand. The guarantees provided by Mr. Kuang Ming and his spouse during the Track Record Period have been released as at 31 October 2021.

23 LEASE LIABILITIES

As at 31 December 2019, 2020 and 2021, the lease liabilities were repayable as follows:

	At 31 December					
	2019		2020		2021	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,750	2,880	4,373	4,569	4,123	4,447
After 1 year but within 2 years	1,122	1,159	1,933	2,113	2,674	2,842
After 2 years but within 5 years	582	653	249	279	2,126	2,184
	1,704	1,812	2,182	2,392	4,800	5,026
	4,454	4,692	6,555	6,961	8,923	9,473
Less: total future interest expenses		(238)		(406)		(550)
Present value of lease liabilities		4,454		6,555		8,923

24 FINANCIAL LIABILITIES AT FVTPL

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares . . .	1,548,365	4,329,603	8,907,708
Convertible loans	171,964	148,557	—
Total	1,720,329	4,478,160	8,907,708

(a) Convertible redeemable preferred shares

Since the date of incorporation, the Group has completed several rounds of financing by issuing Preferred Shares to investors.

The details of the issuance are set out in the table below:

Series of Preferred Shares issued	Share purchase agreement date	Issuance consideration		Number of shares subscribed	Issue price per share
		USD'000	*RMB'000*		
Series A-1 Preferred Shares *(note (i))*	25 January 2016	2	14	20,000,000	0.00 USD
Series A-2 Preferred Shares *(note (ii))*	25 January 2016	8,051	55,850	41,141,163	1.36 RMB
Series B Preferred Shares *(note (ii))*	7 July 2016	10,586	73,435	28,357,233	0.37 USD
Series B-1 Preferred Shares	19 April 2017	10,000	65,342	19,520,510	0.51 USD
Series C-1 Preferred Shares *(note (ii))*	21 September 2017 and 8 January 2018	14,000	96,085	19,312,290	0.72 USD
Series C-2 Preferred Shares	10 December 2018	49,520	345,460	65,127,663	5.30 RMB

Series of Preferred Shares issued	Share purchase agreement date	Issuance consideration		Number of shares subscribed	Issue price per share
		USD'000	*RMB'000*		
Series C-3 Preferred Shares *(note (ii))*	9 August 2019	33,267	232,076	33,808,554	6.86 RMB
Series D Preferred Shares.	24 December 2019 and 10 February 2020	94,024	616,666	76,764,255	1.22 USD
Series D+ Preferred Shares	15 July 2020	44,175	288,237	21,993,621	2.01 USD
Series E Preferred Shares.	11 November 2020	65,500	427,381	24,070,568	2.72 USD
Series E+ Preferred Shares first tranche . . .	21 May 2021	100,000	646,010	26,009,076	3.84 USD
Series E+ Preferred Shares second tranche. .	7 July 2021	84,000	535,559	21,847,625	3.84 USD
		513,125	3,382,115	397,952,558	

Notes:

(i) Before the Company was incorporated, Kangsheng entered into an onshore shareholders agreement with certain investors, pursuant to which, the investors agreed to invest RMB14,000,000 to acquire 20% of the then equity of Kangsheng and can acquire Series A Preferred Shares of the Group's offshore entity for free when it is incorporated in the future. In January 2016, the Company issued Series A-1 Preferred Shares to the investors at USD 0.0001 per share. Then the onshore shareholders agreement was terminated.

(ii) In 2019, the Group repurchased 1,473,274 Series A-2 Preferred Shares, 6,814,917 Series B Preferred Shares of the Company and repaid the convertible loan which was convertible into 1,138,046 Series C-1 Preferred Shares and re-designated these Preferred Shares and convertible loan to 9,426,237 Series C-3 Preferred Shares of the Company.

The Preferred Shares are redeemable by the investors upon specified contingent events including but not limited to failure to complete the qualified **[REDACTED]** before 31 December 2022. The holders of the Preferred Shares are entitled to discretionary dividends prior and in preference to any declaration or payment of any dividend on the ordinary shares.

Upon the closing of a qualified **[REDACTED]** as defined in the related agreements, the Preferred Shares will automatically be converted into ordinary shares, or at the option of the holder, be converted at any time after the original issue date into fully paid and non-assessable ordinary shares at a conversion ratio based on the then effective conversion price without paying any additional consideration. Upon such conversion, the redemption rights shall automatically cease.

The Company accounts for the Preferred Shares issued to investors as financial liabilities at fair value through profit or loss.

The movements of the Preferred Shares issued to investors are set out below:

	Series A-1 Preferred Shares	Series A-2 Preferred Shares	Series B Preferred Shares	Series B-1 Preferred Shares	Series C-1 Preferred Shares	Series C-2 Preferred Shares	Series C-3 Preferred Shares	Series D Preferred Shares	Series D+ Preferred Shares	Series E Preferred Shares	Series E+ Preferred Shares	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	37,564	84,416	62,348	–	30,237	215,266	–	–	–	–	–	429,831
Issuance of Preferred Shares	–	–	–	–	–	130,000	289,694	447,941	–	–	–	867,635
Conversion from Convertible loan	–	–	11,580	–	–	–	–	–	–	–	–	11,580
Repurchase *(note (24)(a)(ii))*	–	(8,117)	(35,867)	–	–	–	–	–	–	–	–	(43,984)
Changes in fair value through profit or loss	45,639	87,654	65,809	–	2,356	58,074	20,288	–	–	–	–	279,820
Exchange realignment	761	459	1,564	–	515	67	117	–	–	–	–	3,483
At 31 December 2019	83,964	164,412	105,434	–	33,108	403,407	310,099	447,941	–	–	–	1,548,365
Issuance of Preferred Shares	–	–	–	–	–	–	–	195,960	291,629	427,381	–	914,970
Conversion from Convertible loan	–	–	–	34,362	32,167	–	–	–	–	–	–	66,529
Changes in fair value through profit or loss	137,171	281,396	151,274	111,280	96,586	427,491	261,493	433,775	50,513	–	–	1,950,979
Exchange realignment	(9,111)	(20,042)	(11,877)	(3,720)	(5,370)	(34,793)	(23,848)	(40,790)	(1,689)	–	–	(151,240)
At 31 December 2020	212,024	425,766	244,831	141,922	156,491	796,105	547,744	1,036,886	340,453	427,381	–	4,329,603
Issuance of Preferred Shares	–	–	–	–	–	–	–	–	–	–	1,181,569	1,181,569
Conversion from Convertible loan	–	–	–	132,496	81,434	–	–	–	–	–	–	213,930
Changes in fair value through profit or loss	205,236	406,728	219,181	148,841	163,328	638,540	414,051	694,405	181,310	172,911	87,306	3,331,837
Exchange realignment	(7,333)	(13,022)	(8,180)	(6,270)	(6,179)	(27,158)	(18,850)	(31,338)	(9,629)	(11,810)	(9,462)	(149,231)
At 31 December 2021	409,927	819,472	455,832	416,989	395,074	1,407,487	942,945	1,699,953	512,134	588,482	1,259,413	8,907,708

(b) Convertible loans

During the Track Record Period, the Group issued convertible loans to certain B round financing investor, B-1 round financing investor and C-1 round financing investors.

The convertible loans have an original maturity of 3 years from the respective issue dates ("**Maturity Date**"). Upon the completion of the Overseas Direct Investments registration ("**ODI registration**") within the period from the issue date of the loans to the Maturity Date, the outstanding principal amount of the convertible loans will be converted into Series B, Series B-1 and Series C-1 Preferred Shares respectively.

If the investor fails to complete the ODI registration within the period specified in convertible loans agreements, the investors can choose to convert the outstanding principal amount of the convertible loans to the equity of Kangsheng and register as preferred shareholders of the Company.

The convertible loans are interest-free during the period from the issue date of the loans to the due date.

In respect of which conversion rights have not been exercised, the convertible loans holders can exercise preferred shareholders' redemption rights under the provisions of the Memorandum and Articles of Association.

The movement of the convertible loans is set out as below:

	Convertible loans
	RMB'000
At 1 January 2019	142,485
Loans converted to Preferred Shares	(11,247)
Repurchase *(note (24)(a)(ii))*	(6,037)
Fair value changes	46,763
At 31 December 2019	171,964
At 1 January 2020	171,964
Loans converted to Preferred Shares	(75,799)
Fair value changes	52,392
At 31 December 2020	148,557
At 1 January 2021	148,557
Loans converted to Preferred Shares	(214,354)
Fair value changes	65,797
At 31 December 2021	—

Valuation

The Backsolve method utilises the options-pricing method to allocate the equity value of the Company, implied by recent investments in Preferred Shares and convertible loans, to the convertible loans holders, preferred shareholders and ordinary shareholders. When there is a recent transaction that is reflective of the equity value of a Company, the issuance price in such transaction would be used in the valuation of Preferred Shares and convertible loans.

The Series D and Series E preferred shares issued by the Company to independent third party investors on 24 December 2019 and 11 November 2020, respective are considered to be reflective of the equity value of the Group as of 31 December 2019 and 2020, so the Group applied the Backsolve method to determine the underlying equity value of the Company and used the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares and convertible loans as of 31 December 2019 and 2020.

The key parameters are assumed to be as follows:

	Risk-free rates *(note (i))*	
Valuation Dates	**Liquidation**	**Redemption**
31 December 2019	1.69%	1.69%
31 December 2020	0.12%	0.12%

	Volatilities *(note (ii))*	
Valuation Dates	**Liquidation**	**Redemption**
31 December 2019	43.48%	43.48%
31 December 2020	45.83%	45.83%

Notes:

(i) The risk frees rate are with reference to the yield of US Treasury Strips at the Valuation Dates.

(ii) The volatility parameters used are with reference to the historical volatility of comparable companies as at the Valuation Dates.

As there is no recent transaction that is reflective of the equity value of the Group as of 31 December 2021, the Company applied the discounted cash flow method ("**DCF method**") to determine the underlying equity value of the Company and used the option-pricing method and equity allocation model to determine the fair value of the Preferred Shares and convertible loans as of 31 December 2021.

The DCF method involves applying appropriate weighted average cost of capital ("**WACC**"), to discount the future cash flow forecast to present value. The WACC was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors. The Group also applied a discount for lack of marketability ("**DLOM**"), which was quantified by Black-Scholes Option Pricing Model and the Finnerty Model. Under this option-pricing method, which assumed that the put option is struck at the spot price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM.

Key valuation assumptions are set as below:

	At 31 December
	2021
WACC	17.00%
DLOM	6.00%

25 EQUITY-SETTLED SHARE-BASED PAYMENT

The Group granted share-based awards to qualified directors and employees pursuant to the 2015 Global Share Plan ("**the Plan**"), which was adopted in August 2015. The qualified participants of the Plan are required to satisfy certain vesting service for the entitlement. The share options granted are generally vested on the grant date or over a one-year period on condition that employees remain in service without any performance requirements or four-year period on condition that employees remain in service without any performance requirements, under which an employee is entitled to vest in 25% of his option grants annually thereafter of completed service. In accordance with the Plan agreements, the holders of vested options are entitled to purchase the Company's shares at fixed prices predetermined at grant date.

Options granted typically expire in 10 years from the respective grant dates.

In July 2021, the Company appointed Prime Forest Assets Limited ("**Prime Forest**") as the holding company to hold the ordinary shares of the Company on trust for "the Plan", according to which the options previously granted to relevant employees and directors that are not cancelled and forfeited as of 6 August 2021 were replaced by Restricted Share Units ("**RSU**"). There were no modification of terms or conditions when converted to RSUs which had increased the fair value of the equity instruments granted and such arrangement was accounted for as the continuance of the original share options. Accordingly, there were no financial impact as a result of such replacement.

The Group recognise share-based payments expenses in its consolidated statements of profit or loss based on awards ultimately expected to vest.

(i) The number and weighted average exercise prices of share options/RSUs ("**equity instruments**") are as follows:

	Year ended 31 December 2019	
	Weighted average exercise price	**Number of equity instruments**
	RMB	*'000*
Outstanding at the beginning of the year	0.26	23,191
Exercised during the year	—	—
Forfeited during the year	0.27	(277)
Granted during the year	0.70	6,290
Outstanding at the end of the year	0.36	29,204
Exercisable at the end of the year	0.21	16,699

	Year ended 31 December 2020	
	Weighted average exercise price	**Number of equity instruments**
	RMB	*'000*
Outstanding at the beginning of the year	0.36	29,204
Exercised during the year	—	—
Forfeited during the year	0.76	(1,698)
Granted during the year	1.61	31,306
Outstanding at the end of the year	1.00	58,812
Exercisable at the end of the year	0.34	26,320

	Year ended 31 December 2021	
	Weighted average exercise price	Number of equity instruments
	RMB	*'000*
Outstanding at the beginning of the year	1.00	58,812
Exercised during the year	0.53	(10,925)
Forfeited during the year	1.95	(1,807)
Granted during the year	2.69	24,288
Outstanding at the end of the year	1.63	70,368
Exercisable at the end of the year	0.82	30,833

The equity instruments outstanding as at 31 December 2019, 2020, and 2021 had weighted average remaining contractual life of 7.27 years, 7.95 years and 7.63 years, respectively.

The assumptions of the binominal model on the dates of grant are as following:

	Year ended 31 December
	2019
Fair value of equity instruments and assumptions	
Fair value at measurement date	USD0.27~USD0.50
Expected volatility (expressed as weighted average volatility used in the modelling under equity allocation model)	48.32%~49.92%
Exercise multiple	2.20x~2.80x
Expected dividends	0%
Risk-free interest rate	2.1%~2.5%

	Year ended 31 December
	2020
Fair value of equity instruments and assumptions	
Fair value at measurement date	USD0.67~USD1.59
Expected volatility (expressed as weighted average volatility used in the modelling under equity allocation model)	47.71%~48.75%
Exercise multiple	2.20x~2.80x
Expected dividends	0%
Risk-free interest rate	0.8%~1.1%

	Year ended 31 December
	2021
Fair value of equity instruments and assumptions	
Fair value at measurement date	USD0.90~USD3.08
Expected volatility (expressed as weighted average volatility used in the modelling under equity allocation model)	48.28%~48.66%
Exercise multiple	2.20x~2.80x
Expected dividends	0%
Risk-free interest rate	1.7%~2.0%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

During the Track Record Period, the Group issued ordinary shares to its CEO with subscription price ranging from USD0.0001 to USD0.15, which was recognized as share-based payment expenses. The number of ordinary shares and the respective weighted average grant date fair value were as follows:

	Weighted average grant date fair value	Number of shares
	USD	*'000*
Granted for the year ended 31 December 2019	0.58	4,890
Granted for the year ended 31 December 2020	1.16	14,908

26 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity during the Track Record Period are set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity are set out below:

The Company

	Share capital	Capital reserve	Share-based payment reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2019	42	1,654	9,447	(2,618)	(88,651)	(80,126)
Changes in equity for 2019:						
Total comprehensive income for the year . .	—	—	—	(3,856)	(298,710)	(302,566)
Issuance of ordinary shares *(note 26(c))*. . .	4	18,750	(18,754)	—	—	—
Equity-settled share-based payment *(note 25)*	—	—	39,023	—	—	39,023
Balance at 31 December 2019	46	20,404	29,716	(6,474)	(387,361)	(343,669)

	Share capital	Treasury share reserve	Capital reserve	Share-based payments reserve	Other reserve	Exchange reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2020	46	—	20,404	29,716	—	(6,474)	(387,361)	(343,669)
Changes in equity for 2020:								
Total comprehensive income for the year	—	—	—	—	—	86,393	(1,888,428)	(1,802,035)
Issuance of ordinary shares *(note 26(c))*	10	—	126,484	(119,643)	—	—	—	6,851
Equity-settled share-based payment *(note 25)*	—	—	—	207,231	—	—	—	207,231
Balance at 31 December 2020	56	—	146,888	117,304	—	79,919	(2,275,789)	(1,931,622)
Balance at 1 January 2021	56	—	146,888	117,304	—	79,919	(2,275,789)	(1,931,622)
Changes in equity for 2021:								
Issuance of ordinary shares *(note 26(c)(i))*	47	—	—	—	—	—	—	47
Treasury shares *(note 26(d)(i))*	—	(47)	—	—	—	—	—	(47)
Total comprehensive income for the year	—	—	—	—	—	93,266	(3,689,248)	(3,595,982)
Equity-settled share-based payment *(note 25)*	—	—	—	222,619	—	—	—	222,619
Exercise of the share options *(note 25)*	7	—	55,094	(49,316)	—	—	—	5,785
Issued share options as subsidiary acquisition consideration *(note 28)*	—	—	—	—	2,546	—	—	2,546
Balance at 31 December 2021	110	(47)	201,982	290,607	2,546	173,185	(5,965,037)	(5,296,654)

(b) Dividends

The directors of the Company did not propose any declaration of dividend during the Track Record Period.

(c) Share capital

Authorized

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 24 August 2015.

As of 31 December 2021, the authorized share capital of the Company was USD100,000 divided into (i) 602,047,442 ordinary shares of a nominal or par value of USD0.0001 each, and (ii) 397,952,558 convertible redeemable preferred shares of a nominal or par value of USD0.0001 each, 59,667,889 of which are designated series A Preferred Shares, 41,062,826 of which are designated series B Preferred Shares, 126,536,698 of which are designated series C Preferred Shares, 98,757,876 of which are designated series D Preferred Shares, and 71,927,269 of which are designated series E Preferred Shares.

(i) Issued share capital

	31 December 2019		31 December 2020		31 December 2021	
	Number of shares	Share capital	Number of shares	Share capital	Number of shares	Share capital
		RMB'000		*RMB'000*		*RMB'000*
Ordinary shares, issued and fully paid:						
At 1 January	66,033,453	42	70,923,218	46	85,830,926	56
Issuance of ordinary shares *(note 25)*	4,889,765	4	14,907,708	10	—	—
Issuance of ordinary shares to exercise share options *(note 25)*	—	—	—	—	10,925,100	7
Issuance of ordinary shares to Prime Forest *(note 26(d)(i))*	—	—	—	—	73,329,635	47
At 31 December	70,923,218	46	85,830,926	56	170,085,661	110

(d) Nature and purpose of reserves

(i) Treasury share reserve

The treasury share reserve represents the shares held by employee share trust controlled by the Company for 2015 Global Share Plan. As disclosed in note 1, the directors of the Company consider that it is appropriate to regard Prime Forest as a branch of the Company and therefore the 73,329,635 ordinary shares of the Company issued to Prime Forest were presented as treasury shares.

(ii) Capital reserve

The capital reserve comprises the capital contribution from the equity holders of the Group's subsidiaries and the excess of the total proceeds received from the Company share issuance over the total par value of shares issued.

(iii) Share-based payments reserve

The share-based payments reserve represents the portion of the grant date fair value of share options granted to the directors and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in note 2(r)(ii).

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Company and certain subsidiaries within the Group. The reserve is dealt with in accordance with the accounting policies set out in note 2(v).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables.

The Group's exposure to credit risk arising from cash and cash equivalents and bills receivables is limited because the counterparties are banks and financial institutions with good credit standing, for which the Group considers to have low credit risk. Deposits, advances due from third parties, purchase rebate with suppliers, amounts due from staffs in relation to share-based payment and others, and amounts due from investors in relation to issuance of convertible redeemable preferred shares and convertible loans have been classified as other receivables. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance at 12-month ECLs as there is no significant increase in credit risk since initial recognition. The Group determines the expected credit losses for these assets by assessment of probability of default, loss given default and exposure at default. As at end of Track Record Period, in view of the nature of these balances and historical settlement record, the Group considers that the provision of ECL allowance for these assets was not significant.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The receivables from the five largest debtors at 31 December 2019, 31 December 2020 and 31 December 2021 represented 42%, 41% and 35% of the total trade receivables respectively, while 14%, 12% and 11% of the total trade receivables were due from the largest single debtor respectively.

Individual credit evaluations are performed on all customers who have high credit risk such as litigation issues. These evaluations focus on the customers' past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group will normally grant credit term of 0-180 days to its customers.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	At 31 December 2019				
	Gross carrying amount	**Provision on individual basis**	**ECL rates**	**ECLs**	**Loss allowance**
	RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
Current (not past due)	87,379	—	0.8%	(717)	(717)
0–3 months past due	48,358	—	4.0%	(1,952)	(1,952)
4–6 months past due	10,244	—	5.9%	(601)	(601)
7–9 months past due	799	—	6.1%	(49)	(49)
10–12 months past due	—	—	—	—	—
More than 1 year past due	1,406	(1,406)	—	—	(1,406)
	148,186	(1,406)		(3,319)	(4,725)

	At 31 December 2020				
	Gross carrying amount	**Provision on individual basis**	**ECL rates**	**ECLs**	**Loss allowance**
	RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
Current (not past due)	202,269	(840)	0.7%	(1,440)	(2,280)
0–3 months past due	73,472	(5,015)	5.2%	(3,528)	(8,543)
4–6 months past due	8,868	—	3.4%	(304)	(304)
7–9 months past due	2,762	—	12.3%	(339)	(339)
10–12 months past due	517	—	40.6%	(210)	(210)
More than 1 year past due	1,406	(1,406)	—	—	(1,406)
	289,294	(7,261)		(5,821)	(13,082)

	At 31 December 2021				
	Gross carrying amount	**Provision on individual basis**	**ECL rates**	**ECLs**	**Loss allowance**
	RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
Current (not past due)	361,399	(11)	0.7%	(2,683)	(2,694)
0–3 months past due	68,998	(622)	2.3%	(1,558)	(2,180)
4–6 months past due	30,162	—	5.9%	(1,775)	(1,775)
7–9 months past due	11,021	—	18.1%	(1,996)	(1,996)
10–12 months past due	9,366	—	41.1%	(3,851)	(3,851)
More than 1 year past due	3,304	(3,304)	—	—	(3,304)
	484,250	(3,937)		(11,863)	(15,800)

Expected loss rates are based on actual loss experience over the past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	86,161	—	—	—	86,161	83,900
Trade payables	52,507	—	—	—	52,507	52,507
Other payables and accrued expenses	150,037	—	—	—	150,037	150,037
Financial liabilities at FVTPL	1,720,329	—	—	—	1,720,329	1,720,329
Lease liabilities *(note 23)*	2,880	1,159	653	—	4,692	4,454
	2,011,914	1,159	653	—	2,013,726	2,011,227

	As at 31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	207,808	—	—	—	207,808	203,511
Trade payables	76,032	—	—	—	76,032	76,032
Other payables and accrued expenses	184,935	—	—	—	184,935	184,935
Financial liabilities at FVTPL	4,478,160	—	—	—	4,478,160	4,478,160
Lease liabilities *(note 23)*	4,569	2,113	279	—	6,961	6,555
	4,951,504	2,113	279	—	4,953,896	4,949,193

	As at 31 December 2021					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Carrying amount at 31 December
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank and other loans	115,337	—	—	—	115,337	114,383
Trade payables	67,763	—	—	—	67,763	67,763
Other payables and accrued expenses	456,555	—	—	—	456,555	456,555
Financial liabilities at FVTPL	8,907,708	—	—	—	8,907,708	8,907,708
Lease liabilities *(note 23)*	4,447	2,842	2,184	—	9,473	8,923
	9,551,810	2,842	2,184	—	9,556,836	9,555,332

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from cash at banks, wealth management products issued by banks, bank and other loans and lease liabilities. Instruments bearing interest at variable rates and fixed rates expose the Group to cashflow interest rate risk and fair value interest rate risk respectively. The Group regularly reviews its strategy on interest rate risk management in the light of the prevailing market condition. The Group's interest rate risk profile as monitored by management is set out below.

The following table details the interest rate profile of the Group's financial assets and liabilities as of the end of each of the reporting period.

(i) Interest rate risk profile

	31 December 2019		31 December 2020		31 December 2021	
	Weighted average interest rate		Weighted average interest rate		Weighted average interest rate	
	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*
Fix rate borrowings:						
Lease liabilities	4.75%	(4,454)	4.75%	(6,555)	4.75%	(8,923)
Bank and other loans	6.14%	(83,900)	4.21%	(203,511)	4.24%	(114,383)
		(88,354)		(210,066)		(123,306)
Variable rate instruments:						
Cash at bank		601,164		914,226		1,090,575
Restricted cash		—		—		134,922
Wealth management products		—		—		28,000
		601,164		914,226		1,253,497
Total borrowings		512,810		704,160		1,130,191

(ii) Sensitivity analysis

At 31 December 2019, 2020 and 2021, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's loss after tax and accumulated losses by approximately RMB4,509,000 and RMB6,857,000 and RMB9,401,000.

The sensitivity analysis above indicates the instantaneous change in the Group's loss after tax (and accumulated losses) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's loss after tax (and accumulated losses) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The Group has engaged AVISTA Group Limited, an external valuer to perform valuations for the financial instruments, including convertible redeemable preferred shares and convertible loans issued to investors. A valuation report with analysis of changes in fair value measurement is prepared by the team at each annual reporting date, and is reviewed and approved by the management.

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Financial liabilities:				
Convertible redeemable preferred shares *(Note 24)*	1,548,365	—	—	1,548,365
Convertible loans *(Note 24)*	171,964	—	—	171,964

	Fair value at 31 December 2020	Fair value measurements as at 31 December 2020 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Financial liabilities:				
Convertible redeemable preferred shares *(Note 24)*	4,329,603	—	—	4,329,603
Convertible loans *(Note 24)*	148,557	—	—	148,557

	Fair value at 31 December 2021	Fair value measurements as at 31 December 2021 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Financial assets:				
Wealth management products	28,000	—	—	28,000
Financial liabilities:				
Convertible redeemable preferred shares *(Note 24)*	8,907,708	—	—	8,907,708

During the Track Record Period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

Information about Level 3 fair value measurements

(aa) Financial assets at FVTPL

The Group has a team headed by the finance manager performing valuation for wealth management products which are categorized into Level 3 of the fair value hierarchy. The team reports directly to the head of finance department. A valuation analysis of changes in fair value measurement is prepared by the team periodically, and is reviewed and approved by the head of finance department.

Below is a summary of significant unobservable inputs to the valuation of these wealth management products together with a quantitative sensitivity analysis at the end of the Track Record Period:

31 December 2021

	Valuation techniques	Significant unobservable inputs
Wealth management products. .	Discounted cash flow method	Interest return rate

Due to the short period and low expected return rate ranging from 1.00% to 3.50% per annum, the Group considered the fair value of wealth management products approximates to the cost. The fair value measurement is negatively correlated to the interest return rate. The management of the Group considers the Group's exposure of wealth management products to interest return rate is not significant due to short maturity period. Therefore, no sensitivity analysis was presented.

(bb) Financial liabilities at FVTPL

The Group's convertible redeemable preferred shares and convertible loans are categorized into Level 3 hierarchy.

Please refer to note 24 for the valuation method and key assumptions adopted in the determination of the fair values of convertible redeemable preferred shares and convertible loans. The quantitative sensitivity analysis are set out below. It is estimated that with all other variables held constant, an increase/decrease in the respective parameter would have impacts on the Group's total comprehensive income for the period.

Quantitative sensitivity analysis on the fair value changes of the convertible redeemable preferred shares and convertible loans estimated applying Backsolve method and option-pricing method as at 31 December 2019 and 2020 are set out below:

	Group's total comprehensive income	
	At 31 December	
	2019	2020
	RMB'000	*RMB'000*
1% increase in risk-free rates	(1,643)	594
1% decrease in risk-free rates *(note (i))*	1,751	—
10% increase in volatilities	13,708	18,641
10% decrease in volatilities.	(18,227)	(13,664)

Note:

The quantitative sensitivity analysis for the scenario 1% decrease in risk-free rate was not performed as at 31 December 2020 because the risk-free rate was below 1% at of that date (0.12% as disclosed in note 24).

Quantitative sensitivity analysis on the fair value changes of the convertible redeemable preferred shares estimated applying DCF model as at 31 December 2021 are set out below:

	Group's total comprehensive income
	At 31 December 2021
	RMB'000
1% increase in WACC	979,454
1% decrease in WACC	(1,279,553)
5% increase in DLOM	395,458
5% decrease in DLOM	(419,927))

(ii) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost were not materially different from their fair values as at 31 December 2019, 2020 and 2021.

28 ACQUISITION OF SUBSIDIARIES THAT CONSTITUTE BUSINESS COMBINATIONS

In 2020, the Company completed four acquisitions, including 55% equity interest of Jiangsu Xinwange Medical Technology Co., Ltd., 51% equity interest of Tianjin Hexi District Youyixinhe Comprehensive Clinic Co., Ltd. ("**Tianjin Youyixinhe**"), 100% equity interest of Yinbang Insurance Brokerage Co., Ltd. and 100% equity interest of Shanghai Yitong Culture Media Co., Ltd. ("**Shanghai Yitong**"). The four acquisitions expanded the Group's medicines distribution business, internet hospital business, insurance brokerage business and advertisement agent business respectively.

In 2021, the Company complete two acquisitions, including 51% equity interest of Shanghai Borunao Information Technology Co., Ltd. ("**Shanghai Borunao**") and 55% equity interest of Zhejiang Qilian Medicine Co., Ltd. The two acquisitions expanded the Group's retail pharmacy business and medicines distribution business. The consideration of acquiring Shanghai Borunao is immediately vested share options granted to the vendors entitled to purchase 150,000 shares of the Company.

The following table summarises the total consideration transferred, and the total fair value of assets acquired and liabilities assumed at the acquisition dates of these acquisitions:

	Identifiable assets acquired and liabilities assumed	
	Year ended 31 December 2020	Year ended 31 December 2021
	RMB'000	*RMB'000*
Intangible assets	47,549	34,914
Property, plant and equipment	4,751	1,801
Cash and cash equivalents	10,764	5,724
Trade receivables	16,794	47,638
Inventories	6,972	37,707
Prepayments and other receivables	46,305	26,848
Other current assets	1,441	—
Trade payables	(10,331)	(50,071)
Other payables and accrued expenses	(17,762)	(30,177)
Contract liabilities	(4,418)	(1,000)
Bank and other loans	(1,500)	(17,215)
Deferred tax liabilities	(11,888)	(8,050)
Other non-current liabilities	(10,000)	—
Net identifiable assets and liabilities	78,677	48,119
Less: Non-controlling interests	13,585	21,775
Add: Goodwill arising from the acquisition *(Note 13)*	19,017	7,002
Total consideration	84,109	33,346
Satisfied by:		
Cash consideration	74,088	22,000
Consideration payable	9,151	8,800
Consideration prepayment	870	—
Fair value of share options issued by the Company	—	2,546

Analysis of the cash flows in respect of the acquisitions during the year is as follows:

	Year ended 31 December 2020	Year ended 31 December 2021
	RMB'000	*RMB'000*
Cash paid by the Group	74,088	22,000
Less: Cash and cash equivalents acquired	10,764	5,724
Net cash outflow in respect of the acquisition	63,324	16,276

Since the acquisition dates in 2020, the four subsidiaries contributed RMB70,206,833 to the Group's revenue and RMB697,343 to the consolidated profit for the year ended 31 December 2020. If the acquisitions had occurred on 1 January 2020, consolidated revenue and consolidated loss for the year ended 31 December 2020 would have been RMB929,021,113 and RMB2,899,305,237 respectively.

Since the acquisition dates in 2021, the two subsidiaries contributed RMB217,461,651 to the Group's revenue and RMB5,601,966 to the consolidated profit for the year ended 31 December 2021. If the acquisitions had occurred on 1 January 2021, consolidated revenue and consolidated loss for the year ended 31 December 2021 would have been RMB1,843,801,544 and RMB4,152,539,519 respectively.

The acquisition-related costs were not significant and had been charged to general and administrative expenses in the consolidated statements of comprehensive income for the year ended 31 December 2020 and 2021.

The valuation technique used for measuring the fair value of intangible assets acquired is multi-period excess earnings method ("**MEEM**"), which is based on expected future economic earnings attributable to the assets. The material assets in this transaction include customer relationship, license and exclusive right.

The fair value measurement of customer relationship, license and exclusive right fall into level 3 of the fair value hierarchy.

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other emoluments	934	1,359	4,164
Discretionary bonuses	216	479	1,809
Retirement scheme contributions	53	11	189
Share based payment expenses	25,811	188,450	127,276
	27,014	190,299	133,438

Total remuneration is included in "staff costs" (see note 6(b)).

(b) Transaction with related parties

In addition to the transactions disclosed elsewhere in the Historical Financial Information, the Group has entered into the following material related party transactions during the Track Record Period:

	At 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Guarantees provided by related parties on the Group's bank and other loans at the end of the reporting period	83,900	203,511	10,420
Advance from non-controlling shareholders of the Group	—	—	7,300
Repayment to non-controlling shareholders of the Group	—	—	6,300

The related parties that provided guarantees include Mr Kuang Ming and his spouse and the ultimate beneficial owners of the non-controlling shareholders of subsidiaries, as disclosed in note 22. The guarantees provided by Mr Kuang Ming and his spouse have been released as at 31

October 2021. The remaining guarantees provided by the ultimate beneficial owners of the Group's non-controlling shareholders will be released in March and August 2022 respectively in accordance with related agreements. The directors do not expect to release the guarantees ahead of the agreed schedule.

(c) Balances with related parties

The outstanding balances arising from the above transactions as at the end of each of the Track Record Period are as follows:

The Group

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Non-trade in nature:			
Amounts due from Mr. Kuang Ming in relation to issuance of convertible redeemable preferred shares	2,093	1,957	—
Amounts due from Mr. Kuang Ming in relation to share-based payment	40	6,892	11,877
Amounts due from Ms. Xu Lili in relation to share-based payment	—	—	192
Amounts due to a non-controlling shareholder of the Group	—	—	1,000

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from Mr. Kuang Ming in relation to issuance of convertible redeemable preferred shares	2,093	1,957	—
Amounts due from Mr. Kuang Ming in relation to share-based payment	40	6,892	11,877
Amounts due from Ms. Xu Lili in relation to share-based payment	—	—	192

The balances with related parties are unsecured and non-trade in nature. Amounts due from Mr Kuang Ming in relation to issuance of convertible redeemable preferred shares have been settled in July 2021. Amounts due from Mr Kuang Ming and Ms Xu Lili in relation to share-based payment will be fully settled before **[REDACTED]**. The amounts due to a non-controlling shareholder of the Group will be settled in June 2022 in accordance with related agreements.

30 RECEIVABLE DUE FROM SUBSIDIARIES

The Company

	At 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Receivable due from subsidiaries	465,758	1,866,590	3,065,801

The balance at 31 December 2019, 2020 and 2021 represent the amounts advance to its subsidiaries.

31 SUBSEQUENT EVENTS

There were no material subsequent events after 31 December 2021 and up to date of approval of these financial statements.

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

As of the date of this report, the directors consider the immediate parent of the Company to be HaoYuan health Limited (formerly known as 91health Limited or ClouDr Limited), a company wholly-owned by Mr. Kuang Ming, which is incorporated in the British Virgin Islands and the ultimate controlling party of the Company to be Mr. Kuang Ming.

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2021

Up to the date of issue of this report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the Track Record Period and which have not been adopted in the Historical Financial Information as follows:

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37, Onerous Contracts-Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
IFRS 17, Insurance contracts and related Amendments	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8, Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IFRS 10 and IAS 28, Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries comprising the Group in respect of any period subsequent to 31 December 2021 and up to the date of this report.