The following discussion and analysis of our business, financial condition and results of operations are based on and should be read in conjunction with our financial statements as at and for each of the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, including the notes thereto, as set forth in the section headed "Accountant's Report" in Appendix I to this document and other financial information appearing elsewhere in this document. Our consolidated financial statements have been prepared in accordance with HKFRSs, which may differ in material respects from generally accepted accounting principles in other jurisdictions. All HKFRSs effective for the accounting period commencing from 1 January 2021 together with the relevant transitional provisions, have been consistently applied by us in the preparation of the Historical Financial Information throughout the Track Record Period. You should read the entire Accountants' Report and not merely rely on the information contained in this section. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including the sections headed "Risk Factors" and "Business".

OVERVIEW

We are one of the leading companies committed to providing big data solutions to corporate clients in China's healthcare industry, driven by big data and technologies. According to the iResearch Report, we ranked first for the medical products and channel segment of healthcare big data solutions in the PRC in 2020 in terms of (i) revenue; (ii) number of top medical product manufacturers; and (iii) number of corporate clients served.

According to the iResearch Report, the total market size of China's healthcare big data solutions amounted to RMB17.8 billion in 2020 (in which we ranked the 8th in terms of revenue) and is expected to increase to RMB130.3 billion in 2026, representing a CAGR of 39.3%. By application scenarios, China's healthcare big data solutions market can be divided into three segments: (i) medical products and channels; (ii) medical services; and (iii) government supervision. We operate in the segment of big data solutions for medical products and channels. The medical products and channels segment amounted to RMB5.4 billion, accounting for approximately 30.3% of the total healthcare big data solutions in terms of revenue in 2020, and is expected to increase to RMB61.1 billion, accounting for approximately 46.9% of the total healthcare big data solutions in terms of revenue in 2026, according to the iResearch Report. While we are the market leader in healthcare big data solutions for medical products and channels, we are actively exploring the markets of healthcare big data solutions for medical services whenever there is an opportunity.

We primarily provide integrated healthcare big data solutions empowered by our big data and technologies, including (i) Data Insight Solutions; (ii) Data-driven Publications and Connections; and (iii) SaaS, to a diverse group of our business participants with a particular focus on medical product manufacturers. Leveraging on our competitive strengths, we achieved high net profit margins of approximately 37.2%, 30.6% and 32.3% for the years ended 31 December 2018, 2019 and 2020, respectively. For the nine months ended 30 September 2021, our net profit margin was approximately 25.6%, primarily as a result of the [**REDACTED**] we incurred. See "—Description of Major Components of our Results of Operation—Profit for the Year/Period" in this section. Our adjusted net profit margin (which is a non-HKFRS measure) for the nine months ended 30 September 2021 was 31.5%. See "—Non-HKFRS Measures" in this section for details.

During the Track Record Period, our business continued to grow steadily. Our revenue increased by approximately 8.1% from approximately RMB164.4 million for the year ended 31 December 2018 to approximately RMB177.8 million for the year ended 31 December 2019, by approximately 13.7% to approximately RMB202.1 million for the year ended 31 December 2020. Our revenue also increased 66.3% from approximately RMB144.6 million for the nine months ended 30 September 2020 to approximately RMB240.4 million for the nine months ended 30 September 2021. Our profit for the year/period was approximately RMB61.1 million, RMB54.4 million, RMB65.3 million and RMB61.5 million for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, respectively.

BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the document, the Company became the holding company of the companies now comprising our Group on 8 June 2021.

Our Consolidated Affiliated Entities are engaged and will engage in the production of short films and provision of Internet information services and Internet data center services (including internet resources cooperation services) (together, the "**Relevant Businesses**"). Under the Catalog of Industries for Encouraging Foreign Investment (2020 Version) and the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021 Version), foreign investors are restricted or prohibited to invest in Relevant Businesses. A wholly-owned subsidiary of the Company, WFOE, has entered into a series of Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders. The Contractual Arrangements enable WFOE to exercise effective control over the Consolidated Affiliated Entities and obtain substantially all economic benefits of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in the Consolidated Affiliated Entities. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in this document.

As the Reorganization only involved inserting new holding companies and entering into the Contractual Arrangements that has not resulted in any change of respective voting, economic substances and beneficial interests, for the purpose of this document, the historical financial information for the Track Record Period has been presented as a continuation of the existing company and its subsidiaries using the pooling of interests method as if the Reorganization had been completed at the beginning of the Track Record Period.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date of incorporation of the subsidiaries, where this is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2018, 2019 and 2020 and 30 September 2021 have been prepared to present the assets and liabilities of the companies now comprising our Group using the existing book values. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Company and the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions and balances have been eliminated on consolidation in full.

BASIS OF PREPARATION

The historical financial information has been prepared in accordance with HKFRSs (which include all HKFRSs, HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2021, together with the relevant transitional provisions, have been consistently applied by our Group in the preparation of the historical financial information throughout the Track Record Period.

The historical financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATION

Our results of operations have been, and are expected to continue to be, materially affected by a number of factors, many of which are outside of our control. These factors include but are not limited to the following:

General Factors

Our business and results of operations are impacted by general factors affecting the broader healthcare industry and healthcare big data solutions industry in the PRC, including:

- China's overall economic growth and development of China's healthcare industry;
- Development, prospects and competition of healthcare big data solutions industry in the PRC;

- Business growth and spending of healthcare industry participants on digital transformation;

- Performance of and the perceived value associated with our solutions and products; and

- Governmental policies, initiatives and incentives affecting the healthcare industry and healthcare big data solutions industry in the PRC.

For more information regarding healthcare industry and healthcare big data solutions industry in the PRC, see "Industry Overview" in this document. For impact of the COVID-19 outbreak on our results of operations, see "Summary—Impact of the COVID-19 Outbreak" in this document.

Company Specific Factors

Our ability to further expand our client base and maintain our relationship with them

We are one of the leading companies committed to providing big data solutions to corporate clients in China's healthcare industry, driven by big data and technologies. According to the iResearch Report, we ranked first for the medical products and channel segment of healthcare big data solutions in the PRC in 2020 in terms of (i) revenue; and (ii) number of top medical product manufacturers and number of corporate clients served. We have established an extensive and loyal client base. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, we had 584, 630, 702 and 859 corporate clients, respectively. A high degree of client stickiness allows us to attract more clients, which is crucial to our continuous business growth. Leveraging our Healthcare Industry Participant Networks, big data and technologies, we have established a leading market position and brand recognition in the healthcare big data solutions market in China, which provides us with a strong pricing power. Our ability to maintain or increase the selling price of our products will largely depend on our ability to compete effectively and differentiate our solutions and products through strong brand recognition, product development and sales and marketing efforts. Our revenue increased from approximately RMB164.4 million for the year ended 31 December 2018 to approximately RMB177.8 million for the year ended 31 December 2019, further to approximately RMB202.1 million for the year ended 31 December 2020 and to approximately RMB240.4 million for the nine months ended 30 September 2021, mainly due to our enhanced capabilities and market recognition of our solutions and products as well as an increase in an overall development of the healthcare big data solutions market partly driven by the need of digital transformation.

We have established and maintained long-term relationship with our clients, especially medical product manufacturers. According to the iResearch Report, medical product manufacturers will have the strongest payment capabilities to afford healthcare big data solutions. In 2020, according to the iResearch Report, we had 57 top medical product manufacturer clients, and we ranked first among China's medical products and channels big data solution providers for the number of top medical product manufacturers covered. Approximately 80.7% of these 57 top medical product manufacturer clients had transactions with us in each of the three years ended 31 December 2018, 2019 and 2020. According to the iResearch Report, for the nine months ended 30 September 2021, we had 63 top medical product manufacturer clients. Our contracts with clients are typically on a project or term basis and we generally do not enter into long-term contracts with clients. If we are unable to expand our business with existing clients or attract new clients, we may experience slow growth, no growth or negative growth, and our business, financial performance and results of operations would be materially and adversely affected. Furthermore, any change of business development plan or any adverse changes in the business or financial performance of our major clients, including any liquidity problems, restructuring, winding up or liquidation, may also result in a higher level of credit risk for us.

Our ability to monetize our SaaS products

Our SaaS is currently at a ramp-up stage. In 2015, we launched CHIS, our first SaaS, which was followed by our further initiatives of launching SIC in 2018 as well as Pharmacy Connect and LinkedSee in 2020. During the Track Record Period, we recorded growth in revenue generated from our SaaS products, primarily attributable to our cross-selling opportunities through Data Insight Solutions and Data-driven Publications and Connections, strengthened brand and reputation and our direct marketing efforts. Our SaaS corporate clients increased by 117.3% from 104 in 2018 to 226 in 2019 and by 25.2% to 283 in 2020. This trend continued in 2021 and for the nine months ended 30 September 2021, we had 387 corporate clients for our SaaS products. Our revenue generated from SaaS products increased by approximately 131.9% from approximately RMB1.9 million for the year ended 31 December 2018 to approximately RMB4.4 million for the year ended 31 December 2019, by approximately 57.0% to approximately RMB7.0 million for the year ended 31 December 2020. Our revenue generated from SaaS products also increased by 399.2% from approximately RMB4.0 million for the nine months ended 30 September 2020 to approximately RMB19.7 million for the nine months ended 30 September 2021. We recorded a gross loss margin of 71.4% and 22.9% in 2018 and 2019, respectively, primarily due to our staff costs, and data costs in relation to the operation and promotion of our SaaS products. Our SaaS entered a commercialization stage in 2020 and we began to recoup our previous investment in SaaS. We recorded a gross profit margin of 8.0% and 60.0% in 2020 and the nine months ended 30 September 2021, respectively.

As we continue to focus on expanding the client base for our SaaS, we have been and will continue upgrading and optimizing our existing SaaS products to address our clients' evolving business needs. Currently, our SaaS offerings include (i) Smart Decision Cloud; (ii) Smart Retail Cloud; (iii) Smart Health Management Cloud; and (iv) Smart Medical Cloud. During the Track Record Period, sales of our Smart Decision Cloud accounted for approximately 82.3%, 80.1%, 82.7% and 81.6% of our revenue generated from SaaS. We strive to continue to introduce new functions and features to optimize the performance of our SaaS products. Our Smart Medical Cloud began generating revenue in 2021 and accounted for 3.6% of our revenue generated from SaaS for the nine months ended 30 September 2021. We also intend to launch new products to diversify our SaaS offerings which can be applied to more business scenarios and bring our value to our clients.

According to the iResearch Report, the market size of healthcare big data solutions for medical products and channels by SaaS delivery will grow much faster than by non-SaaS delivery in the future. It is expected that such market size by SaaS delivery will increase from RMB0.7 billion in 2020 to RMB12.9 billion in 2026, representing a CAGR of 64.6%. We expect that our sales of our SaaS products will continue to grow with sustained demand from the industry.

Our ability to manage costs and improve operational efficiency

We operate a cost-effective business model. We recorded high gross profit margin during the Track Record Period. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our gross profit margin was approximately 61.5%, 59.7%, 64.4% and 62.6%, respectively. For the same periods, our net profit margin was approximately 37.2%, 30.6%, 32.3% and 25.6%, respectively. Our net profit margin had dropped for the nine months ended 30 September 2021 primarily as a result of the [**REDACTED**] we incurred. Our adjusted net profit margin (which is a non-HKFRS measure) for the nine months ended 30 September 2021 was 31.5%. See "—Non-HKFRS Measures" in this section for details. Our high gross profit margin was achieved through our management of cost of sales. During the Track Record Period, event costs and staff costs were our largest components of our cost of sales. Our event costs, which mainly include venue and equipment rentals, event planning and organization services fees and accommodation and catering costs, are generally the largest component of our cost of sales and accounted for approximately 37.9%, 37.9%, 32.4% and 34.8% of our total cost of sales for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, respectively. During the Track Record Period, we were able to transfer the increased event costs to our clients. Staff costs mainly refer to our employee benefits for our employees involved in the operation and delivery of our solutions and products. During the Track Record Period, staff costs accounted for approximately 28.3%, 30.7%, 38.3% and 34.9% of our total cost of sales for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, respectively. While we highly value our employees and increase our salary level from time to time with reference to market rates to incentivize and retain our employees, we manage our staff costs with prudence and budgeting. We also achieved high net profit margins during the years ended 31 December 2018, 2019 and 2020, primarily due to (i) our management of research and development costs, which primarily consist of employee benefits paid to our research and development personnel; and (ii) our low selling and distribution expenses which accounted for only 4.7%, 6.0% and 7.3% of our total revenue for the years ended 31 December 2018, 2019 and 2020, respectively.

Going forward, our ability to manage our costs and improve our operational efficiency is important to our overall profitability. As we continue to grow our business, we expect to benefit from economies of scale and achieve additional cost savings.

Level of income tax and preferential tax treatment

Our profit attributable to owners is affected by the level of income tax that we pay and the preferential tax treatment to which we are entitled. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our income tax expenses were approximately RMB12.5 million, RMB12.7 million, RMB10.7 million and RMB20.4 million, accounting for approximately 7.6%, 7.2%, 5.3% and 8.5% of our total revenue, respectively. For the same periods, our effective tax rate was 17.0%, 19.0%, 14.1% and 24.9%, respectively. This increase in our effective tax rate was a result of the transfer of the Non-restricted Businesses to WFOE and its subsidiaries and hence being subject to the unified corporate income tax rate of 25% as part of WFOE and our non-tax deductible [**REDACTED**].

Sinohealth Information has been recognized as a High and New Technology Enterprise in 2016 and 2019 to enjoy a preferential corporate income tax rate of 15% for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021. However, there is no assurance that we will continue enjoying the preferential tax rate in the long run and it is possible that the standard 25% corporate income tax rate could apply to us in future periods. See "—Description of Major Components of our Results of Operations—Income Tax Expenses" in this section of this document. In addition, to ensure the Contractual Arrangements are narrowly tailored under the requirement of the [**REDACTED**], save for those disclosed in "Contractual Arrangements", we have transferred the Non-restricted Businesses to WFOE and its subsidiaries and WFOE is subject to the unified corporate income tax rate of 25%. As a result, the preferential treatments applicable to Sinohealth Information will have a reduced beneficial effect. We expect that our income tax expenses will increase from the year ended 31 December 2021. WFOE intends to apply for recognition as a High and New Technology Enterprise in 2022. However, recognition as a High and New Technology Enterprise is subject to the satisfaction of certain conditions. There can be no assurance that WFOE will successfully obtain recognition as a High and New Technology Enterprise and enjoy the 15% preferential tax treatment in the future.

In addition, certain of our PRC subsidiaries were identified as small and micro enterprises and were entitled to a preferential tax rate of 2.5%, 5% or 10% during the Track Record Period in accordance with the applicable PRC laws and regulations. Any change in the applicable corporate income tax rate upon the expiration of preferential tax treatments could have a negative impact on the amount of tax we pay and consequently have a material adverse impact on our results of operations and financial condition.

Continuous investment in research and development

We invested significantly during the Track Record Period to improve our big data and AI technologies, incubation of SaaS and aPaas infrastructure. For the years ended 31 December 2018, 2019 and 2020, our research and development costs were approximately RMB22.0 million, RMB29.3 million and RMB39.8 million, accounting for approximately 13.4%, 16.5% and 19.7% of our total revenue for the same years, respectively. For the nine months ended 30 September 2020 and 30 September 2021, our research and development costs were approximately RMB29.2 million and RMB38.4 million, accounting for approximately 20.2% and 16.0% of our total revenue for the same periods, respectively. We intend to continue to invest in attracting more talented research and development personnel with diversified backgrounds and further developing and applying advanced technologies in the fields of cloud computing, big data and AI technologies to enhance our solutions and products. As a result, research and development costs will continue to affect our results of operations.

SIGNIFICANT ACCOUNTING POLICIES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. Our significant accounting policies are set forth in detail in the section headed "Accountant's Report—Note 2.4" in Appendix I to this document.

Revenue Recognition

Revenue from contracts with clients

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

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which our Group will be entitled in exchange for transferring the goods or services to the client. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the client with a significant benefit of financing the transfer of goods or services to the client for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between our Group and the client at contract inception. When the contract contains a financing component which provides our Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the client and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

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

- the client simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;
- our Group's performance creates or enhances an asset that the client controls as the asset is created or enhanced; or
- our Group's performance does not create an asset with an alternative use to our Group and our 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 client obtains control of the goods or services.

For contracts that contain more than one performance obligation, our Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which our Group would sell a promised good or service separately to a client. If a stand-alone selling price is not directly observable, our Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which our Group expects to be entitled in exchange for transferring the promised goods or services to the client.

Our Group entered into certain transactions with retail pharmacies to provide services in exchange for receiving data. The transactions may include cash consideration in addition to the non-cash consideration. Our Group considers the specific facts and circumstances to account for such transactions. For the transactions that are within the scope of HKFRS 15, revenue is recognized when the promised services are transferred to the client and the Group obtains control of the data. The non-cash consideration obtained from the clients is measured at fair value. If the fair value of the non-cash consideration cannot be estimated reliably, our Group measures the consideration indirectly by reference to the standalone selling price of the services transferred to the client.

Our Group derives revenue from the provision of Data Insight Solutions, Data-driven Publications and Connections and SaaS products.

(a) Data Insight Solutions

Data Insight Solutions involve delivery of one-off and/or periodic customized reports, and if required, report interpretations of data analytics and problem-solving recommendations to medical product manufacturers, regulators, industry experts and researchers as well as the provision of data-driven marketing solutions to clients.

Delivery of customized data insight reports

For delivery of customized data insight reports, our Group agrees the sales price for service with the clients upfront and bills to the clients based on the actual service rendered and completed. The contract usually contains multiple deliverable units (i.e. provision of monthly reports, quarterly reports and annual reports within one contract) and each of them is sold at the standalone selling price specified within the contract. Each individual deliverable unit is regarded as a performance obligation. Our Group recognized revenue at the point of time when the individual report is delivered and accepted by the clients.

Provision of data-driven marketing solutions

Data-driven Marketing Solutions mainly include provision of promotional activities services, media content services and training services.

The contract with clients relating to data-driven marketing solutions consists of multiple solutions, i.e. combination of provision of marketing strategies and proposals, organization of training service, provision of advertising service and organization of customized promotional activities. Each of the multiple solutions is sold at the standalone selling price specified in the contract. Each individual solution is regarded as a performance obligation.

Revenue from each individual data-driven marketing solution is recognized over time, using an output method to measure progress towards complete satisfaction of the service, because the client simultaneously receives and consumes the benefits provided by our Group. Under the output method, the services transferred to the client to date are measured to the extent of progress towards completion, based on units of delivery.

(b) Data-driven Publications and Connections

Our Group is engaged in the provision of Data-driven Publications and Connections services which include a combination of publications, precision connections and exhibitions.

The contract with clients relating to Data-driven Publications and Connections consisted of multiple promised services, i.e. organizing and hosting Industry Events and related value-added services such as provision of forum discussions, exhibitions or provision of billboard in the conference. Our Group determined that organizing and hosting Industry Events and related value-added services represent one performance obligation, because these promises are mutually dependent and the client is unable to derive significant benefits from its access to value-added services for the intended purpose without receipt of the promises of organizing and hosting Industry Events.

The revenue from Data-driven Publications and Connections is recognized over the time of conference, on a straight-line basis, because the client simultaneously receives and consumes the benefits provided by our Group.

(c) SaaS products

SaaS products involve granting right to access our proprietary cloud-based software together with additional standardized reports on an ad hoc demand with singular or multiple user accounts and provision of right to use an API to generate a report and provision of application software development services.

Granting right to access the proprietary cloud-based software

Revenue from SaaS products is recognized over the granted user period on a straight-line basis, starting from the point when the user account is activated, i.e. the user is able to use and benefit from the services, and other revenue recognition criteria are met.

Provision of API use

Revenue is recognized at a point in time when the right to use an API is provided and the report is generated for clients.

Provision of application software development service

Revenue is recognized at a point in time when the application software together with relevant license is delivered and accepted by the clients.

Other Income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the client. If our Group performs by transferring goods or services to a client before the client pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a client before our Group transfers the related goods or services. Contract liabilities are recognized as revenue when our Group performs under the contract (i.e., transfers control of the related goods or services to the client).

Fair Value Measurement

Our Group measures its financial assets at fair value through profit or loss at the end of each reporting period during the Track Record Period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by our Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

Our Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the historical financial information are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the historical financial information on a recurring basis, our Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period during the Track Record Period.

Impairment of Financial Assets

Our Group recognizes an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that our Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At the end of each reporting period during the Track Record Period, our Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, our Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

Our Group considers a financial asset in default when contractual payments are 30 to 90 days past due. However, in certain cases, our Group may also consider a financial asset to be in default when internal or external information indicates that our Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by our Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when our Group applies the practical expedient of not adjusting the effect of a significant financing component, our Group applies the simplified approach in calculating ECLs. Under the simplified approach, our Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. Our Group has established a provision matrix that is based on market historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Research and Development Costs

All research costs are charged to profit or loss as incurred. Expenditure incurred on projects to develop new products is capitalized and deferred only when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, our intention to complete and ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and our ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of profit or loss and other comprehensive income with line items in absolute amounts and as percentages of our revenue for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Revenue	164,390	100.0%	177,750	100.0%	202,073	100.0%	144,560	100.0%	240,429	100.0%
Cost of sales	(63,334)	(38.5)%	(71,654)	(40.3)%	(71,867)	(35.6)%	(54,406)	(37.6)%	(89,843)	(37.4)%
Gross profit	101,056	61.5%	106,096	59.7%	130,206	64.4%	90,154	62.4%	150,586	62.6%
Other income and gains	15,087	9.2%	15,662	8.8%	19,026	9.4%	12,719	8.8%	21,067	8.8%
Selling and distribution expenses	(7,712)	(4.7)%	(10,691)	(6.0)%	(14,833)	(7.3)%	(9,554)	(6.6)%	(17,340)	(7.2)%
Administrative expenses	(12,605)	(7.7)%	(12,780)	(7.2)%	(16,585)	(8.2)%	(11,601)	(8.0)%	(31,326)	(13.0)%
Research and development costs	(22,014)	(13.4)%	(29,262)	(16.5)%	(39,821)	(19.7)%	(29,159)	(20.2)%	(38,381)	(16.0)%
Impairment losses on financial assets, net	537	0.3%	(1,303)	(0.7)%	(691)	(0.3)%	(899)	(0.6)%	(1,614)	(0.7)%
Other expenses	(177)	(0.1)%	(31)	0.0%	(8)	0.0%	(7)	(0.0)%	(437)	(0.2)%
Finance costs	(525)	(0.3)%	(576)	(0.3)%	(1,222)	(0.6)%	(913)	(0.6)%	(412)	(0.2)%
Share of losses of Associates	–	–	–	–	–	–	–	–	(262)	(0.1)%
Profit before tax	**73,647**	**44.8%**	**67,115**	**37.8%**	**76,072**	**37.6%**	**50,740**	**35.1%**	**81,881**	**34.1%**
Income tax expense	(12,541)	(7.6)%	(12,736)	(7.2)%	(10,743)	(5.3)%	(7,098)	(4.9)%	(20,428)	(8.5)%
Profit for the year/period	**61,106**	**37.2%**	**54,379**	**30.6%**	**65,329**	**32.3%**	**43,642**	**30.2%**	**61,453**	**25.6%**
Total comprehensive income for the Year/Period	61,106	37.2%	54,379	30.6%	65,329	32.3%	43,642	30.2%	61,453	25.6%
Attributable to:										
Owners of the parent	62,625	38.1%	56,089	31.6%	67,926	33.6%	46,174	31.9%	67,296	28.0%
Non-controlling interests	(1,519)	(0.9)%	(1,710)	(1.0)%	(2,597)	(1.3)%	(2,532)	(1.8)%	(5,843)	(2.4)%
	61,106	37.2%	54,379	30.6%	65,329	32.3%	43,642	30.2%	61,453	25.6%

NON-HKFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with HKFRS, we also present adjusted net profit as an additional financial measure, which is not required by, nor presented in accordance with, HKFRS. We define adjusted net profit as net profit for the year/period excluding [**REDACTED**]. Adjusted net profit eliminates the effect of our [**REDACTED**], which are not related to our ordinary course of business and are non-recurring in nature. We present this additional financial measure as it is used by our management to evaluate our financial performance by eliminating the impact of an item that our management does not consider indicative of the actual performance of our business. We also believe that this non-HKFRS measure provides useful information to [**REDACTED**] and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under HKFRS.

The following table sets forth the reconciliation of our non-HKFRS financial measure for each period of the Track Record Period presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS:

	For the year ended 31 December			For the nine months ended 30 September	
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Profit for the year/period . . .	61,106	54,379	65,329	43,642	61,453
Add:					
[**REDACTED**][1]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted net profit (Non-HKFRS measure) . .	61,106	54,379	65,329	43,642	75,730
Adjusted net profit margin (Non-HKFRS measure)(%)	37.2	30.6	32.3	30.2	31.5

Notes:

(1) [**REDACTED**] are non-recurring items in nature and commonly not included in similar non-HKFRS financial measures.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We have a proven track record of monetizing our big data, AI technologies, solutions and products. During the Track Record Period, our revenue was generated from three business segments, namely (i) Data Insight Solutions; (ii) Data-driven Publications and Connections; and (iii) SaaS, which are supported by our big data and AI technologies. For more information regarding our business segments, see "Business—Our Business Segments" in this document. Our solutions and products are highly valued by our clients. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our total revenue was approximately RMB164.4 million, RMB177.8 million, RMB202.1 million and RMB240.4 million, respectively.

Our revenue growth during the Track Record Period was primarily in line with the overall development of China's healthcare big data solutions market. The PRC Government has issued various supportive policies which have continuously driven the development of the healthcare big data market. For example, with the deepening reform of the medical and health system in China, the PRC Government initiated certain policies to promote out-of-hospital circulation of drugs and equipment. According to the Notice on Issuing the Key Tasks for Deepening the Reform of the Medical and Health System in 2016, patients can choose to purchase prescription drugs at the outpatient pharmacies of hospitals or in retail pharmacies with a prescription, encouraging the development of chain pharmacies and promote the separation of medicines and treatments. The reform continued to progress in 2017 and 2018, with certain policies promoting market competition and prescription outflow. With the introduction of the prescription outflow policy at the end of 2019, all provinces in China started to promote the application of electronic prescription information sharing platforms in certain provincial hospitals, driving an increase in the market size of the out-of-hospital circulation of drugs and equipment and bringing new opportunities to retail pharmacies. After the Guiding Opinions on Improving the Centralized Procurement of Drugs in Public Hospitals was issued by the General Office of the State Council in 2015 that implemented classified procurement of drugs and put forward detailed guidelines for the centralized procurement of drugs in public hospitals, the Pilot Scheme of the National Organization Centralized Drug Procurement and Use was issued in January 2019, pursuant to which a centralized drug bulk procurement regime was implemented. Under this pilot scheme, certain medical product manufacturers strategically refrained from participating in the public hospital procurement bidding processes and turned to out-of-hospital channels after considering the costs and benefits of bidding prices of centralized drug bulk procurement which are relatively low. The healthcare industry is incentivized to seek business growth through digital transformation, which provides us with great opportunities of healthcare big data solutions for medical products and channels, particularly those relating to out-of-hospital Data Insight Solutions, and driving our growth. See "Industry Overview—Favorable policies to encourage digitalization development" in this document.

Our healthcare big data solutions for medical products and channels aim to address this industry development and demand from the industry verticals. We strive to improve our big data and AI technologies such as our data standardization and data processing capabilities. Through offering enhanced solutions and products that are valuable to the medical product manufacturers and retail pharmacies, we recorded stable growth during the Track Record

Period. The number of our corporate clients increased during the Track Record Period. For the years ended 31 December 2018, 2019 and 2020, we had 584, 630 and 702, respectively. For the nine months ended 30 September 2021, we had 859 corporate clients.

During the Track Record Period, over 99% of our revenue was generated from Mainland China. The following table sets forth a revenue breakdown by geographical location of our clients during the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Mainland China	163,802	99.6%	177,093	99.6%	201,292	99.6%	143,893	99.5%	239,740	99.7%
Overseas[(1)]	588	0.4%	657	0.4%	781	0.4%	667	0.5%	689	0.3%
	164,390	100.0%	177,750	100.0%	202,073	100.0%	144,560	100.0%	240,429	100.0%

Note:

(1) Overseas includes Hong Kong, Germany, Singapore, England, Switzerland and France.

The following table sets forth a breakdown of our revenue by business segments during the Track Record Period.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Data Insight Solutions	80,325	48.9%	92,800	52.2%	98,418	48.7%	53,269	36.8%	86,684	36.1%
Data-driven Publications and Connections	82,149	50.0%	80,506	45.3%	96,678	47.8%	87,341	60.4%	134,026	55.7%
SaaS	1,916	1.1%	4,444	2.5%	6,977	3.5%	3,950	2.8%	19,719	8.2%
Total	**164,390**	**100.0%**	**177,750**	**100.0%**	**202,073**	**100.0%**	**144,560**	**100.0%**	**240,429**	**100.0%**

Data Insight Solutions

Our Data Insight Solutions is the segment with the longest operating history and largely contributed to our revenue during the Track Record Period. We expect that our Data Insight Solutions will continue as our primary revenue generator in the foreseeable future. We provide tailor-made solutions on demand based on deep and complex data insights. We typically negotiate our fee with our clients on a case-by-case basis, depending on our scope of work and costs. During the Track Record Period, our fees charged for Data Insight Solutions generally ranged from approximately RMB100,000 to RMB1 million per project and may exceed a few million RMB depending on scope of our work and complexity. For the years ended 31

December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our revenue derived from Data Insight Solutions amounted to approximately RMB80.3 million, RMB92.8 million, RMB98.4 million and RMB86.7 million, accounting for approximately 48.9%, 52.2%, 48.7% and 36.1% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue of our Data Insight Solutions by application scenario for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
Growth and Investment Decision Solutions	34,091	42.4%	50,549	54.5%	66,613	67.7%	39,858	74.8%	68,119	78.6%
Data-driven Marketing Solutions	46,234	57.6%	42,251	45.5%	31,805	32.3%	13,411	25.2%	18,565	21.4%
Total	**80,325**	**100.0%**	**92,800**	**100.0%**	**98,418**	**100.0%**	**53,269**	**100.0%**	**86,684**	**100.0%**

Our revenue generated from Data Insight Solutions increased by 15.5% from RMB80.3 million for the year ended 31 December 2018 to RMB92.8 million for the year ended 31 December 2019 and further increased by 6.1% to RMB98.4 million for the year ended 31 December 2020. Our revenue generated from Data Insight Solutions also increased by 62.7% from RMB53.3 million for the nine months ended 30 September 2020 to approximately RMB86.7 million for the nine months ended 30 September 2021. This growth in revenue during the Track Record Period was primarily due to a continuous increase in our revenue generated from our Growth and Investment Decision Solutions which was primarily driven by (i) our efforts in developing big data solutions for new application scenarios; and (ii) our expanded network of partnering pharmacies which allow us to collect a variety of retail data in an efficient manner for our data insights. Our partnering pharmacies increased from 201 as at 31 December 2018 to 496 as at 31 December 2019, to 759 as at 31 December 2020 and further to 1,021 as at 30 September 2021 and the pharmacy stores covered increased from 12,726 as at 31 December 2018 to 25,157 as at 31 December 2019, to 37,703 as at 31 December 2020 and further to 49,463 as at 30 September 2021; (iii) our improved data governance efficiency such as achieving a higher rate of machine data processing from over 80% to over 98%; and (iv) an increase in the number of our corporate clients and transaction amounts for Growth and Investment Decision Solutions as we successfully attracted quality corporate clients through our continuous enhancement of our big data capabilities in response to increased market demand driven by the overall development of the healthcare big data solutions, including that related to data insight research and consulting for innovative drugs and products or treatments.

The increase in our revenue generated from our Growth and Investment Decision Solutions was partially offset by a decrease in our revenue generated from our Data-driven Marketing Solutions, which is our data-driven offering of customized marketing consultation and campaign coordination, media content production and training services to medical product manufacturers to help with promotion of their products and to connect with potential retail pharmacies and end-consumers using our Media Channels and other forms of digital communication as well as offline campaigns. This decrease in revenue generated from Data-driven Marketing Solutions from RMB46.2 million for the year ended 31 December 2018 to RMB42.3 million for the year ended 31 December 2019, and further to RMB31.8 million for the year ended 31 December 2020 was primarily due to (i) our strategic focus on digital marketing format and gradual reduction in the use of print advertising, which we had largely phased out by 2019, as we considered that online marketing would become a mainstream format given its advantages such as measurable and instant results, cost effectiveness and increased popularity; and (ii) a decrease in demand for our offline marketing campaigns, training services and related sales due to the spread of COVID-19 in China during parts of 2020 as clients and consumers faced uncertainty and were more conscious of their expenses while some pharmacies were only able to operate for limited business hours. For the nine months ended 30 September 2020 and 30 September 2021, revenue generated from our Data-driven Marketing Solutions increased from RMB13.4 million to RMB18.6 million, primarily as demand recovered after effects from the COVID-19 pandemic subsided in late 2020 and 2021.

Data-driven Publications and Connections

During the Track Record Period, Data-driven Publications and Connections were also an important component of our business. We provide Data-driven Publications and Connections through our Healthcare Industry Participant Networks. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our revenue derived from Data-driven Publications and Connections amounted to approximately RMB82.1 million, RMB80.5 million, RMB96.7 million and RMB134.0 million, accounting for approximately 50.0%, 45.3%, 47.8% and 55.7% of our total revenue, respectively. For our fee model applicable to our Data-driven Publications and Connections, see "Business—Our Business Segments—Data-driven Publications and Connections—Fee Model" in this document.

The following table sets forth a revenue breakdown of our Data-driven Publications and Connections by Industry Events for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Industry Prospect Event . . .	55,055	67.0%	51,889	64.5%	64,635	66.9%	64,758	74.1%	89,551	66.8%
Merchandise Trading Event .	14,396	17.5%	15,386	19.1%	17,742	18.4%	17,733	20.3%	30,834	23.0%
Retail Sales Event	11,100	13.5%	10,528	13.1%	7,064	7.3%	47	0.1%	8,808	6.6%
Others(1)	1,598	2.0%	2,703	3.3%	7,237	7.4%	4,803	5.5%	4,833	3.6%
Total	**82,149**	**100.0%**	**80,506**	**100.0%**	**96,678**	**100.0%**	**87,341**	**100.0%**	**134,026**	**100.0%**

Note:

(1) Others include our other marketing events on a regional level such as Key Client Events, Competitiveness in China and Inter-provincial and Regional Dynamic Sales Events.

We have initiated attempts to transform and upgrade our Data-driven Publications and Connections through our Industry Events from time to time in order to enhance our brand name and attract more corporate clients of larger size in the healthcare industry. Our recent initiatives to transform and upgrade our Data-driven Publications and Connections included our upgrade of certain modules for attendees of Industry Prospect Event and Merchandise Trading Event in 2019. We also started to include representatives from online and offline sales channels and logistics companies as our target attendees to our Retail Sales Event in addition to medical product manufacturers and pharmacies.

Our Industry Prospect Event, which was generally held in the second half of each year during the Track Record Period, contributed to approximately 67.0%, 64.5%, 66.9% and 66.8% of our revenue generated from our Data-driven Publications and Connections for 2018, 2019 and 2020 and the nine months ended 30 September 2021, respectively. In 2019, with reference to the latest practices in the healthcare industry, we replaced certain data-driven business connection components offered at our Industry Prospect Event with those that mainly addressed market demand for data insights and associated services in relation to new drugs, biotechnology, industry and capital, and medical insurance reform. As new components were our new attempts that were in the process of gaining market acceptance, we attracted fewer corporate clients to our Industry Prospect Event in 2019. Accordingly, our revenue generated from our Industry Prospect Event decreased from 2018 to 2019. Our revenue generated from our Industry Prospect Event increased by 24.6% from 2019 to 2020, primarily due to market acceptance of our successfully upgraded components.

The operation of our Industry Events was affected by the spread of COVID-19 in China during early 2020. Specifically, we canceled a semi-annual Retail Sales Event which was originally held in the first half of 2020. In addition, our Merchandise Trading Event was held in the first half of 2020 in a smaller scale. Nonetheless, our Industry Prospect Event was held during the second half of the year, the schedule of which was less affected by COVID-19. We recorded remarkably higher demand for our Industry Prospect Event in 2020 given that (i) our Industry Prospect Event was influential and trusted in the healthcare industry and our clients were eager to obtain healthcare big data solutions in the wake of the recovery from the COVID-19 pandemic in the second half of 2020; and (ii) the upgraded components of our Industry Prospect Event were better received among our clients in 2020 after our initial attempts in 2019. In addition, we launched Inter-provincial and Regional Dynamic Sales Event and upgraded our other events in order to capture market opportunities under COVID-19 in China.

SaaS

Our SaaS products provide our clients with user-friendly software embedded with certain sets of data insights and management tools which are of common demand and relevant to concerns of our clients. By application scenario and target client, our SaaS products are categorized as: (i) Smart Decision Cloud; (ii) Smart Retail Cloud; (iii) Smart Health Management Cloud; and (iv) Smart Medical Cloud. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, revenue derived from our SaaS products was approximately RMB1.9 million, RMB4.4 million, RMB7.0 million and RMB19.7 million, accounting for approximately 1.1%, 2.5%, 3.5% and 8.2% of our total revenue, respectively. As more of our SaaS products entered a commercialization stage in 2020 and we recouped our previous investments, we recorded steady increases in revenue generated from this segment.

Our revenue generated from SaaS was mainly derived from Smart Decision Cloud which targeted medical product manufacturers that were more willing to pay for our SaaS to support their business growth. We recorded insignificant revenue generated from Smart Retail Cloud through SIC add-on services. We began generating revenue from Smart Health Management Cloud in 2020 and Smart Medical Cloud in 2021.

The following table sets forth a revenue breakdown of our SaaS products by application scenario for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Smart Decision Cloud	1,576	82.3%	3,559	80.1%	5,770	82.7%	2,915	73.8%	16,092	81.6%
Smart Retail Cloud	340	17.7%	885	19.9%	1,005	14.4%	936	23.7%	2,544	12.9%
Smart Health Management Cloud	–	–	–	–	202	2.9%	99	2.5%	366	1.9%
Smart Medical Cloud	–	–	–	–	–	–	–	–	717	3.6%
Total	**1,916**	**100.0%**	**4,444**	**100.0%**	**6,977**	**100.0%**	**3,950**	**100.0%**	**19,719**	**100.0%**

Our revenue generated from SaaS increased during the Track Record Period, primarily due to our continuous efforts in improving and promoting our SaaS products. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, we had 104, 226, 283 and 387 corporate clients for our SaaS products, respectively. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, Smart Decision Cloud contributed to 82.3%, 80.1%, 82.7% and 81.6% of our total revenue generated from SaaS.

Cost of Sales

Our cost of sales primarily consisted of (i) event costs; (ii) staff costs; (iii) marketing expenses; (iv) traveling and transportation expenses; (v) labor services fees; (vi) data costs; (vii) advertising agency expenses; (viii) depreciation of right-of-use assets; and (ix) others. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our cost of sales was approximately RMB63.3 million, RMB71.7 million, RMB71.9 million and RMB89.8 million, accounting for approximately 38.5%, 40.3%, 35.6% and 37.4% of our total revenue for the same periods, respectively.

Event costs and staff costs were the major components of our cost of sales. Event costs primarily include venue and equipment rentals, event planning and organization services fees, accommodation and catering costs in relation to the delivery of our Data-driven Publications and Connections as well as our Data-driven Marketing Solutions. Staff costs mainly refer to our employee benefits for our employees in relation to the daily operation and maintenance of our solutions and products. In 2020, we were entitled to social insurance premium exemptions in accordance with certain corporate relief policies issued by the PRC Government.

Marketing expenses were mainly in relation to our direct sales efforts, marketing campaigns and advertising video production. Traveling and transportation expenses were incurred mainly due to traveling and accommodation in relation to our employees' business trips. Labor services fees mainly referred to the services fees paid for external trainers, event hosts, event speakers, entertainment providers, security guards and miscellaneous services in the Industry Events. Data costs mainly referred to the costs incurred in relation to our data collection from some partnering pharmacies through data cooperation arrangements and data processing. Advertising agency expenses mainly referred to the commercial advertising costs in relation to our Data-driven Marketing Solutions. Depreciation of right-of-use assets was incurred due to our office leases. Others mainly included merchandise procurement costs, technical services fees, other rentals and depreciation.

The following table sets forth the components of our cost of sales, both in absolute amount and as a percentage of our revenue, for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Cost of sales										
Event costs	24,006	14.6%	27,127	15.3%	23,281	11.5%	18,065	12.5%	31,256	13.0%
Staff costs	17,899	10.9%	21,997	12.4%	27,527	13.6%	24,392	16.9%	31,318	13.0%
Marketing expenses	6,271	3.8%	4,196	2.4%	3,321	1.6%	2,755	1.9%	4,605	1.9%
Traveling and transportation expenses	3,123	1.9%	3,210	1.8%	2,817	1.4%	1,342	0.9%	4,663	1.9%
Labor service fees	2,888	1.8%	5,959	3.4%	3,817	1.9%	1,634	1.1%	5,476	2.3%
Data costs[1]	2,503	1.5%	3,039	1.7%	4,738	2.3%	3,292	2.3%	8,476	3.5%
Advertising agency expenses	1,993	1.2%	2,339	1.3%	7	0.0%	7	0.0%	–	0.0%
Depreciation of right-of-use assets	1,458	0.9%	1,326	0.7%	1,901	0.9%	1,769	1.2%	1,135	0.5%
Others[2]	3,193	1.9%	2,461	1.3%	4,458	2.4%	1,150	0.8%	2,914	1.2%
	63,334	**38.5%**	**71,654**	**40.3%**	**71,867**	**35.6%**	**54,406**	**37.6%**	**89,843**	**37.4%**

Note:

(1) Our data costs , consisting of costs for data collection and data processing, were generally immaterial during the Track Record Period because we primarily collected data from our partnering pharmacies through CMH Cooperation Agreements and SIC Services Agreements or public sources, which allowed us to minimize our costs of data collection. For the nine months ended 30 September 2021, we recorded increases in (i) data collection costs as we partnered with a number of additional partnering pharmacies under CMH Cooperation Agreements; and (ii) data processing costs to support the growth of our Data Insight Solutions and SaaS products, in particular, for our Smart Retail Cloud.

(2) Others mainly include merchandise procurement costs, technical services fees, other rentals and depreciation.

The following table sets forth our cost of sales by business segment for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Data Insight Solutions	29,184	46.1%	32,346	45.1%	32,124	44.7%	18,816	34.6%	35,352	39.3%
Data-driven Publications and Connections	30,866	48.7%	33,848	47.2%	33,323	46.4%	31,386	57.7%	46,612	51.9%
SaaS	3,284	5.2%	5,460	7.7%	6,420	8.9%	4,204	7.7%	7,879	8.8%
Total	**63,334**	**100.0%**	**71,654**	**100.0%**	**71,867**	**100.0%**	**54,406**	**100.0%**	**89,843**	**100.0%**

Sensitivity analysis

For illustrative purposes, the table below sets forth a sensitivity analysis of (i) the effect of fluctuations of our event costs assumed to be 5% and 10%; and (ii) the effect of fluctuations of staff costs assumed to be 5% and 10% on our profit before income tax during the Track Record Period.

	Impact on profit before income tax				
	For the year ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Event costs					
+/-5%	-/+1,200	-/+1,356	-/+1,164	-/+903	-/+1,563
+/-10%	-/+2,401	-/+2,713	-/+2,328	-/+1,807	-/+3,126
Staff costs					
+/-5%	-/+895	-/+1,100	-/+1,376	-/+1,220	-/+1,566
+/-10%	-/+1,790	-/+2,200	-/+2,753	-/+2,439	-/+3,132

Gross Profit and Gross Profit Margin

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our gross profit was approximately RMB101.1 million, RMB106.1 million, RMB130.2 million and RMB150.6 million, respectively. For the same periods, our gross profit margin was approximately 61.5%, 59.7%, 64.4% and 62.6%, respectively. Our overall gross profit margin is primarily affected by our steady business growth, our cost structure and our management of operation efficiency as a whole.

The following table sets forth our gross profit and gross profit margin by business segment for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Data Insight Solutions	51,141	63.7%	60,454	65.1%	66,294	67.4%	34,453	64.7%	51,332	59.2%
Data-driven Publications and Connections	51,283	62.4%	46,658	58.0%	63,355	65.5%	55,955	64.1%	87,414	65.2%
SaaS	(1,368)	(71.4)%	(1,016)	(22.9)%	557	8.0%	(254)	(6.4)%	11,840	60.0%
Total	**101,056**	**61.5%**	**106,096**	**59.7%**	**130,206**	**64.4%**	**90,154**	**62.4%**	**150,586**	**62.6%**

Our gross profit generally increased during the Track Record Period. Our gross profit margin decreased slightly from 61.5% in 2018 to 59.7% in 2019, primarily due to an increase in our staff costs and labor service fees in relation to our Industry Events. In particular, we upgraded certain components of our Industry Prospect Event in 2019 that was subject to a process to establish market acceptance, resulting in a lower revenue increase from 2018 to 2019. Our gross profit margin increased from 59.7% in 2019 to 64.4% in 2020 and from 62.4% for the nine months ended 30 September 2020 to 62.6% for the nine months ended 30 September 2021, primarily due to our revenue increase from each of our business segments.

The gross profit margin of our Data Insight Solutions increased from 63.7% in 2018 to 65.1% in 2019 and further to 67.4% in 2020, but decreased from 64.7% for the nine months ended 30 September 2020 to 59.2% for the nine months ended 30 September 2021 due to an increase in our staff costs as we expanded our employee teams in particular, staff focusing on data insight research and consulting for our solutions relating to innovative drugs and products or treatments, which currently have a lower margin as they are being developed and expanded. As our upgraded Industry Prospect Event received better market acceptance, the gross profit margin of our Data-driven Publications and Connections increased from 58.0% in 2019 to 65.5% in 2020. This also increased from 64.1% for the nine months ended 30 September 2020 to 65.2% for the nine months ended 30 September 2021, partly driven by the increase in scale of our Merchandise Trading Event and Industry Prospect Event. Our SaaS recorded a gross loss margin of 71.4% and 22.9% in 2018 and 2019, respectively, primarily due to our staff costs and data costs incurred for the purposes of daily operations and maintenance during the commercializing and promoting our SaaS products. We began to recoup from our previous investment in SaaS with gross profit margin of 8.0% in 2020 and which also increased from a gross loss margin of 6.4% for the nine months ended 30 September 2020 to a gross profit margin of 60.0% for the nine months ended 30 September 2021.

Other Income and Gains

Our other income and gains consisted of (i) other income primarily from bank interest income, government grants, investment income from financial assets at fair value through profit or loss and others; and (ii) fair value gains on financial assets at fair value through profit or loss, gains on disposal of a subsidiary, gains on lease modifications and others. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our other income and gains were approximately RMB15.1 million, RMB15.7 million, RMB19.0 million and RMB21.1 million, accounting for approximately 9.2%, 8.8%, 9.4% and 8.8% of our total revenue for the same periods, respectively.

Bank interest income referred to interest received from our bank deposits. Our government grants received during the Track Record Period mainly represent incentives awarded by the local governments to support our past or present operations, such as our high and new technology projects, manpower development, provision of high-end services and organization of the Industry Prospect Events in Qiong Hai City, Hainan Province. There were no unfulfilled conditions or contingencies attached to our government grants. From 2019, we generated investment income from our wealth management products which were of low or moderately low risks, with short maturity date, high liquidity and with non-safeguarded principal. See "—Current Assets and Current Liabilities—Financial assets at fair value through profit or loss" in this section. Gains on disposal of a subsidiary was in relation to disposal of Guangzhou Jiasi to Mr. Wu. See "History, Reorganization and Corporate Structure—Acquisition of Guangzhou Jiasi" in this document. Gains on lease modifications and others were insignificant during the Track Record Period.

The following table sets forth a breakdown of our other income and gains for the periods indicated.

	For the year ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(Unaudited)*	*RMB'000*
Other income					
Bank interest income	12,564	9,070	5,181	4,434	224
Government grants	2,521	1,664	3,422	1,543	11,050
Investment income from financial assets at fair value through profit or loss	–	3,735	7,279	4,935	3,797
Others(1)	2	38	92	90	217
	15,087	14,507	15,974	11,002	15,288
Gains					
Fair value gains on financial assets at fair value through profit or loss	–	1,155	2,994	1,665	4,537
Foreign exchange gains, net	–	–	1	2	135
Gains on disposal of a subsidiary	–	–	50	50	–
Gains on lease modifications	–	–	7	–	1,107
	–	1,155	3,052	1,717	5,779
Total	**15,087**	**15,662**	**19,026**	**12,719**	**21,067**

Note:

(1) Others included sundry income such as gains from sales of recyclable materials, employer subsidies and personal tax return handling fees.

Selling and Distribution Expenses

Our selling and distribution expenses primarily consisted of (i) employee benefits expenses for employees engaging in sales and marketing functions; (ii) traveling and business development in relation to our offline marketing campaigns, client relationship development and maintenance and production of advertising material; (iii) general offices expenses; and (iv) depreciation of right-of-use assets. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our selling and distribution expenses were approximately RMB7.7 million, RMB10.7 million, RMB14.8 million and RMB17.3 million, accounting for approximately 4.7%, 6.0%, 7.3% and 7.2% of our total revenue for the same periods, respectively. This increase was driven by the increase in our sales and marketing employee numbers, as we added new recruits to the team to support expansion of our business, and in particular to promote our SaaS products.

The following table sets forth a breakdown of our selling and distribution expenses by component for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (*Unaudited*)	*%*	*RMB'000*	*%*
Selling and distribution expenses										
Employee benefits expenses	5,652	73.3%	8,325	77.9%	11,806	79.6%	7,945	83.2%	14,418	83.1%
Traveling and business development	1,483	19.2%	1,777	16.6%	1,851	12.5%	892	9.3%	1,913	11.0%
General office expenses	208	2.7%	208	1.9%	483	3.2%	354	3.7%	527	3.0%
Depreciation of right-of-use assets	369	4.8%	381	3.6%	693	4.7%	363	3.8%	482	2.9%
Total	**7,712**	**100.0%**	**10,691**	**100.0%**	**14,833**	**100.0%**	**9,554**	**100.0%**	**17,340**	**100.0%**

During the Track Record Period, our employee benefits expenses were the largest component of our selling and distribution expenses, accounting for approximately 73.3%, 77.9%, 79.6% and 83.1% of our total selling and distribution expenses for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, respectively. The increase in selling and distribution expenses was primarily due to an increase in our employee benefits expenses resulting from an increase in the average number of our sales and marketing employees, in particular for our SaaS products.

Our selling and distribution expenses maintained at a relatively low level as compared to our total revenue primarily due to (i) our well-developed Industry Events which are an important channel to promote our capabilities and offerings as well as to drive cross-selling opportunities; (ii) our targeting corporate clients in the healthcare industry without relying on mass media advertising; and (iii) our leading position and reputation established over the years of operation in the healthcare big data solutions industry.

Administrative Expenses

Our administrative expenses primarily consisted of (i) [**REDACTED**]; (ii) employee benefits expenses for employees involved in our general and administrative functions, including finance, legal and human resources; (iii) general office expenses; (iv) traveling and business development; (v) depreciation and amortization; (vi) depreciation of right-of-use assets; (vii) professional fees; (viii) other tax; and (ix) others. Our professional fees were primarily in relation to our previous proposed listing of our shares on the Shenzhen Stock Exchange between November 2017 and December 2019. See "History, Reorganization and Corporate Structure—Previous Listing Plan" in this document. Our professional fees also included professional services fees in relation to audit, legal and advisory services. Other tax referred to our stamp duties and culture development fees. Others referred to miscellaneous expenses in relation to labor services fees, telecommunication fees and vehicle costs. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our administrative expenses were approximately RMB12.6 million, RMB12.8 million, RMB16.6 million and RMB31.3 million, accounting for approximately 7.7%, 7.2%, 8.2% and 13.0% of our total revenue for the same periods, respectively.

The following table sets forth a breakdown of our administrative expenses by component for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (Unaudited)	*%*	*RMB'000*	*%*
Administrative expenses										
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Employee benefits expenses	7,411	58.8%	9,061	70.9%	12,212	73.6%	8,645	74.5%	12,441	39.7%
General office expenses	1,374	10.9%	1,711	13.4%	2,199	13.3%	1,749	15.1%	1,715	5.5%
Traveling and business development	417	3.3%	265	2.1%	522	3.1%	321	2.8%	499	1.6%
Depreciation and amortization	315	2.5%	266	2.1%	479	2.9%	292	2.5%	378	1.2%
Depreciation of right-of-use assets	534	4.2%	363	2.8%	441	2.7%	281	2.4%	330	1.1%
Professional fees	1,600	12.7%	391	3.1%	288	1.7%	124	1.1%	584	1.9%
Other tax	842	6.7%	632	4.9%	113	0.7%	97	0.8%	159	0.5%
Others(1)	112	0.9%	91	0.7%	331	2.0%	92	0.8%	943	2.9%
Total	**12,605**	**100.0%**	**12,780**	**100.0%**	**16,585**	**100.0%**	**11,601**	**100.0%**	**31,326**	**100.0%**

(1) Others mainly include labor service fees, telecommunication fees and vehicle costs.

During the Track Record Period, other than [**REDACTED**] in the nine months ended 30 September 2021, our employee benefits expenses were the largest component of our administrative expenses, accounting for approximately 58.8%, 70.9%, 73.6% and 39.7% of our total administrative expenses for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, respectively. The increase in administrative expenses was primarily due to an increase in our employee benefits expenses resulting from an increase in the average salary of our administrative employees despite fluctuations in our average number of administrative employees. For the nine months ended 30 September 2021, our [**REDACTED**] of approximately RMB[**REDACTED**] were the largest component of our administrative expenses, accounting for approximately [**REDACTED**]% of our total administrative expenses for the period.

Research and Development Costs

Our research and development efforts mainly focused on our core capabilities, such as big data and AI technologies, cloud computing and developing new solutions and products. Our research and development costs primarily consisted of (i) employee benefit expenses for employees involved in research and development functions including salaries, welfare benefits and bonuses; and (ii) technology services fees, general office expenses, traveling and business development expenses in relation to our employees' traveling, accommodation and relationship development for the purposes of research and development, depreciation and amortization, depreciation of right-of-use assets and others. Technology services fees were incurred primarily due to our research and development cooperation projects with third parties such as our data and associated system developments, automated construction of knowledge graphs and construction of Big Data & AI Lab. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our research and development costs were approximately RMB22.0 million, RMB29.3 million, RMB39.8 million and RMB38.4 million, accounting for approximately 13.4%, 16.5%, 19.7% and 16.0% of our total revenue for the same periods, respectively. Our research and development costs during the Track Record Period were mainly in relation to our big data, AI technologies and development of SaaS products and aPaaS infrastructure and were expensed.

The following table sets forth a breakdown of our research and development costs by nature for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2018		2019		2020		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* *(Unaudited)*	*%*	*RMB'000*	*%*
Research and development costs										
Employee benefit expenses	19,043	86.5%	24,796	84.7%	33,191	83.4%	24,182	82.9%	33,960	88.5%
Technology services fees	352	1.6%	938	3.2%	2,349	5.9%	1,696	5.8%	1,347	3.5%
General office expenses	512	2.3%	1,208	4.1%	1,623	4.1%	1,316	4.5%	1,032	2.7%
Traveling and business development	294	1.3%	301	1.0%	208	0.5%	115	0.4%	59	0.2%
Depreciation and amortization	307	1.4%	251	0.9%	344	0.9%	274	0.9%	249	0.6%
Depreciation of right-of-use assets	1,457	6.6%	1,757	6.0%	1,973	5.0%	1,475	5.1%	1,699	4.4%
Others[1]	49	0.3%	11	0.1%	133	0.2%	101	0.4%	35	0.1%
Total	**22,014**	**100.0%**	**29,262**	**100.0%**	**39,821**	**100.0%**	**29,159**	**100.0%**	**38,381**	**100.0%**

Note:

(1) Others included miscellaneous printing costs and material costs.

During the Track Record Period, our employee benefits expenses were the largest component of our research and development expenses, accounting for approximately 86.5%, 84.7%, 83.4% and 88.5% of our total research and development expenses for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, respectively. The increase in research and development expenses were primarily due to an increase in our employee benefits expenses resulting from an increase in the average number of our research and development employees.

Impairment Losses on Financial Assets, Net

Our impairment losses were recorded in relation to our trade and other receivables. For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on market historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, we recorded reversal of impairment on financial assets or net impairment losses on financial assets of RMB0.5 million, RMB1.3 million, RMB0.7 million and RMB1.6 million, respectively.

Other Expenses

Our other expenses primarily represent losses on disposal of non-current assets, losses on deregistration of a subsidiary and foreign exchange losses. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our other expenses were approximately RMB177,000, RMB31,000, RMB8,000 and RMB437,000, respectively.

Finance Costs

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our finance costs were RMB0.5 million, RMB0.6 million, RMB1.2 million and RMB0.4 million, accounting for approximately 0.3%, 0.3%, 0.6% and 0.2% of our total revenue for the same periods, respectively. Our finance costs represented interest on lease liabilities. See "—Discussion of Certain Items from the Consolidated Statements of Financial Position—Lease Liabilities" in this section.

Profit Before Income Tax

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our profit before income tax was approximately RMB73.6 million, RMB67.1 million, RMB76.1 million and RMB81.9 million, respectively.

Income Tax Expenses

For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our income tax expenses were approximately RMB12.5 million, RMB12.7 million, RMB10.7 million and RMB20.4 million, accounting for approximately 7.6%, 7.2%, 5.3% and 8.5% of our total revenue, respectively. For the same periods, our effective tax rate was 17.0%, 19.0%, 14.1% and 24.9%, respectively. The effective tax rate is obtained by dividing income tax expenses by profit before tax. The tax on our profit before tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in the PRC. See the section headed "Accountant's report—Note 10" in Appendix I to this document.

The following summarizes major factors affecting our applicable tax rates in Hong Kong and China:

Cayman Islands

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Act and are not subject to tax on income or capital gain. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profit tax at a rate of 16.5% for taxable income earned in Hong Kong before April 1, 2018. Starting from the financial year commencing on April 1, 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK$2.0 million and 16.5% for any assessable profits in excess of HK$2.0 million. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021.

China

Generally, our PRC subsidiaries, our Consolidated Affiliated Entities and their subsidiaries are subject to corporate income tax on their taxable income in China at a rate of 25%. The corporate income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards. Sinohealth Information has been accredited as a High and New Technology Enterprise in 2016 and 2019 to enjoy a preferential corporate income tax rate of 15% for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021. This status is subject to a requirement that Sinohealth Information renew the High and New Technology Enterprise certificate every three years in order to enjoy the reduced tax rate of 15%. Certain of our PRC subsidiaries were identified as small and micro enterprises and were entitled to a preferential tax rate of 2.5%, 5% or 10% during the Track Record Period in accordance with applicable PRC laws and regulations. See "Risk Factors—We may not remain entitled to the preferential tax rate, government grants and other preferential treatment applicable to us, which may adversely affect our financial condition and results of operations" in this document.

Our remaining PRC entities were subject to corporate income tax at a rate of 25% in 2018, 2019, 2020 and the nine months ended 30 September 2021. Pursuant to the Corporate Income Tax Law and the Corporate Income Tax Implementation Regulations of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors which are non-resident enterprises as defined under the laws from China. The withholding tax rate may be lowered to a minimum of 5% if there is a tax arrangement between China and the jurisdiction of the foreign investors. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied.

Our Directors confirm that we had made all the required tax filings under the relevant PRC tax laws and regulations and had paid all outstanding tax liabilities, and that we were not subject to any actual or potential dispute with the tax authorities and/or any tax investigation during the Track Record Period and up to the Latest Practicable Date.

Profit for the Year/Period

Leveraging on our competitive strengths, we achieved high net profit margins during the years ended 31 December 2018, 2019 and 2020. See "Business—Our Strengths" in this document. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our net profit was approximately RMB61.1 million, RMB54.4 million, RMB65.3 million and RMB61.5 million, respectively. For the same periods, our net profit margin was approximately 37.2%, 30.6%, 32.3% and 25.6%, respectively. Our net profit margin dropped for the nine months ended 30 September 2021 primarily as the result of the [**REDACTED**] of approximately RMB[**REDACTED**] we incurred in 2021.

PERIOD-TO-PERIOD COMPARISONS OF RESULTS OF OPERATIONS

Nine Months Ended 30 September 2021 Compared to Nine Months Ended 30 September 2020

Revenue

Our total revenue increased by approximately 66.3% from RMB144.6 million for the nine months ended 30 September 2020 to RMB240.4 million for the nine months ended 30 September 2021, as we recorded substantial increases in revenue generated from each of our business segments.

Data Insight Solutions

Our revenue generated from Data Insight Solutions increased by approximately 62.7% from RMB53.3 million for the nine months ended 30 September 2020 to RMB86.7 million for the nine months ended 30 September 2021, primarily due to an increase in our revenue generated from Growth and Investment Decision Solutions by 70.9% and an increase in our revenue generated from Data-driven Marketing Solutions by 38.4%.

- ***Growth and Investment Decision Solutions***. The increase in our revenue generated from Growth and Investment Decision Solutions from the nine months ended 30 September 2020 to the nine months ended 30 September 2021 was driven by our recovery of operations as effects from COVID-19 subsided and there was an increase in general demand for external consulting services in the medical products and channels segment and market recognition of our Growth and Investment Decision Solutions. There was weaker demand in the nine months ended 30 September 2020 due to the COVID-19 pandemic, in part as some retail pharmacies only had limited business hours. By September 2021, most regions had recovered and the demand for retail data monitoring from clients increased. We continued to invest in expanding our network of partnering pharmacies and developing our big data and AI technologies. Our partnering pharmacies increased from 759 as at 31 December 2020 to 1,021 as at 30 September 2021 and the retail pharmacy stores covered increased from 37,703 as at 31 December 2020 to 49,463 as at 30 September 2021, providing us with more real-world retail data. In addition, we had launched solutions targeting clients who offered innovative drugs or treatments for patients with chronic conditions or long-term ailments. These tailored solutions were also well-received and contributed to the increase in our revenue generated from this segment. Leveraging our leading market position and strong pricing power, we retained our key clients and attracted more clients, including a number of multinational medical product manufacturers that entered into purchase agreements for our Growth and Investment Decision Solutions in the nine months ended 30 September 2021.

- ***Data-driven Marketing Solutions***. The increase in revenue generated from our Data-driven Marketing Solutions from the nine months ended 30 September 2020 to the nine months ended 30 September 2021 was primarily due to recovery from the impact of COVID-19 outbreak during 2020 where the outbreak led to a decrease in demand for our offline marketing campaigns. In contrast, in the nine months ended 30 September 2021, as demand recovered after effects from the COVID-19 pandemic subsided, we were engaged to host more physical promotion and marketing events.

Data-driven Publications and Connections

Our revenue generated from Data-driven Publications and Connections increased by approximately 53.5% from RMB87.3 million for the nine months ended 30 September 2020 to RMB134.0 million for the nine months ended 30 September 2021, primarily due to (i) an increase in revenue generated from our Industry Prospect Event by 38.3%; (ii) an increase in revenue generated from our Merchandise Trading Event by 73.9%; and (iii) a large increase in revenue generated from our Retail Sales Event.

- ***Industry Prospect Event***. The increase in revenue from our Industry Prospect Event held in September 2021 compared to that held in 2020 was primarily due to the larger scale and wider acceptance of our upgraded components of the 2021 Industry Prospect Event, as partially demonstrated by the increase in number of core attendees of 3,100 in 2021 compared to 2,500 in 2020.

- ***Merchandise Trading Event***. The increase in revenue generated from our Merchandise Trading Event from the nine months ended 30 September 2020 to the nine months ended 30 September 2021 was primarily due to an expansion in scale and significance of this event. We experienced a significant increase in the number of core attendees from approximately 1,700 in 2020 to 3,500 in 2021, due to our strategic adjustment on event positioning.

- ***Retail Sales Event***. The substantial increase in revenue generated in the nine months ended 30 September 2021 compared to the nine months ended 30 September 2020 was primarily due to our cancelation of the semi-annual Retail Sales Event which was originally intended to be held in the first half of 2020. In May 2021, our Retail Sales Event was held as planned.

- ***Others.*** The increase in revenue generated from other events from the first nine months of 2020 to the first nine months of 2021 was primarily due to additional events we held in 2021.

SaaS

Our SaaS products continued their rapid growth in the first nine months of 2021 and revenue generated from SaaS increased by approximately 399.2% from RMB4.0 million for the nine months ended 30 September 2020 to RMB19.7 million for the nine months ended 30 September 2021, primarily due to (i) the growth of our LinkedSee product which was launched in June 2020 to meet diversified needs of our clients as a part of our Smart Decision Cloud; and (ii) additional contracts of higher value signed with clients of our Smart Decision Cloud. Each of our SaaS products, namely Smart Decision Cloud, Smart Retail Cloud, Smart Health Management Cloud and Smart Medical Cloud, recorded increases in revenue in the nine months ended 30 September 2021 compared to the nine months ended 30 September 2020. We did not record any revenue from Smart Medical Cloud for the nine months ended 30 September 2020 as it was still in its early stages of market release.

Cost of Sales

Our cost of sales increased by approximately 65.1% from RMB54.4 million for the nine months ended 30 September 2020 to RMB89.8 million for the nine months ended 30 September 2021. This increase was due to (i) an increase in event costs resulting from the larger scales of our Merchandise Trading Event and Industry Prospect Event held in 2021, as well as our 2021 Retail Sales Event that was held in the first half of 2021 while our 2020 Retail Sales Event was held in the fourth quarter of the year; (ii) an increase in staff costs from an increase in the average number of employees; and (iii) an increase in traveling and transportation expenses as business travel resumed in 2021 as the COVID-19 pandemic subsided.

Data Insight Solutions

Our cost of sales for our Data Insight Solutions increased by approximately 87.9% from RMB18.8 million for the nine months ended 30 September 2020 to RMB35.4 million for the nine months ended 30 September 2021, primarily due to an increase in our staff costs as we expanded our employee teams in relation to our Growth and Investment Decision Solutions in particular to focus on data insight research and consulting for innovative drugs by hiring additional analysts and project managers.

Data-driven Publications and Connections

Our cost of sales for our Data-driven Publications and Connections increased by approximately 48.5% from RMB31.4 million for the nine months ended 30 September 2020 to RMB46.6 million for the nine months ended 30 September 2021, primarily due to increases in our staff costs and event costs as necessitated by the expanded scale of our Merchandise Trading Event, reflected in part by the core attendees increasing significantly in number from approximately 1,700 in 2020 to 3,500 in 2021 which meant additional staff and event space was required, and the resumption of our Retail Sales Event, as compared to the corresponding period in 2020. Our Industry Prospect Event held in September 2021 was also of a larger scale, as partly demonstrated by the increase in the number of core attendees of 3,100 in 2021 compared to 2,500 in 2020.

SaaS

Our cost of sales for our SaaS increased by approximately 87.4% from RMB4.2 million for the nine months ended 30 September 2020 to RMB7.9 million for the nine months ended 30 September 2021, primarily due to increased (i) labor costs for system maintenance relating to our LinkedSee product, (ii) network services fees; and (iii) costs associated with adjustments and iteration of our SaaS products which are still in their growth stage. We did not record any costs associated with Smart Medical Cloud for the nine months ended 30 September 2020.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 67.0% from RMB90.2 million for the nine months ended 30 September 2020 to RMB150.6 million for the nine months ended 30 September 2021. Our gross profit margin remained steady from 62.4% for the nine months ended 30 September 2020 to 62.6% for the nine months ended 30 September 2021.

- ***Data Insight Solutions.*** The gross profit margin of our Data Insight Solutions decreased from 64.7% for the nine months ended 30 September 2020 to 59.2% for the nine months ended 30 September 2021, primarily due to an increase in the costs of sales for Data Insight Solutions by approximately 87.9% from the nine months ended 30 September 2020 to the nine months ended 30 September 2021 while the revenue generated from our Data Insight Solutions increased at a lower level between the same periods.

- ***Data-driven Publications and Connections.*** The gross profit margin of our Data-driven Publications and Connections increased from 64.1% for the nine months ended 30 September 2020 to 65.2% for the nine months ended 30 September 2021, primarily due to an increase in our revenue generated from Data-driven Publications and Connections by approximately 53.5% from the nine months ended 30 September 2020 to the nine months ended 30 September 2021 while the costs of sales for our Data-driven Publications and Connections increased at a lower level between the same periods.

- ***SaaS.*** We recorded a gross loss margin of 6.4% for the nine months ended 30 September 2020 as compared with a gross profit margin of 60.0% for the nine months ended 30 September 2021, primarily due to an increase in the number of our SaaS clients which contributed to our increased revenue as a result of our direct marketing efforts and cross-selling opportunities. Our SaaS had entered into a commercialization stage in 2020 and we began to recoup from our previous investment in SaaS, and this continued in 2021.

Other Income and Gains

Other income and gains increased by approximately 65.6% from RMB12.7 million for the nine months ended 30 September 2020 to RMB21.1 million for the nine months ended 30 September 2021, primarily due to (i) an increase of approximately RMB9.5 million in government grants received in relation to our Industry Prospect Events held in Qiong Hai City, Hainan Province in 2019 and 2020, but which was only received in 2021 from the Hainan Province Bureau of Commerce and from the Tianhe district government in relation to our high and new technology projects; and (ii) an increase in fair value gains on financial assets at fair value through profit or loss by approximately RMB2.9 million, partially offset by a decrease in bank interest income by approximately RMB4.2 million as our bank balances had decreased as we paid out a dividend of approximately RMB120.1 million to the then shareholders of Sinohealth Information in January 2021, and we also utilized our bank balances to purchase wealth management products. See "—Discussion of Certain Items from the Consolidated Statements of Financial Position—Financial assets at fair value through profit or loss" in this section.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 81.5% from RMB9.6 million for the nine months ended 30 September 2020 to RMB17.3 million for the nine months ended 30 September 2021, primarily due to (i) an increase in our employee benefits expenses by approximately RMB6.5 million resulting from an increase in the average number of our sales and marketing employees. We recruited additional sales staff to support the expansion of our marketing team; and (ii) an increase in our traveling and business development expenses of approximately RMB1.0 million as business travel resumed in 2021 compared to restricted travel in 2020, and our larger team of sales staff increased their travel frequency to maintain client contact and boost business development, and in particular for the active promotion of our SIC system.

Administrative Expenses

Our administrative expenses increased by approximately 170.0% from RMB11.6 million for the nine months ended 30 September 2020 to RMB31.3 million for the nine months ended 30 September 2021, primarily due to (i) [**REDACTED**] incurred in 2021 of approximately RMB[**REDACTED**] and recorded under administrative expenses; and (ii) an increase in employee benefit expenses of approximately RMB3.8 million resulting from an increase in the average number of our administrative employees.

Research and Development Costs

Our research and development costs increased by approximately 31.6% from RMB29.2 million for the nine months ended 30 September 2020 to RMB38.4 million for the nine months ended 30 September 2021, primarily due to an increase in our employee benefits expenses by RMB9.8 million resulting from an increase in the average number of our research and development employees who focused on product development and integration of data resources and technologies in support of different business segments.

Impairment Losses on Financial Assets

We recognized an impairment loss of approximately RMB1.6 million for the nine months ended 30 September 2021, primarily due to the increase in our long-aged trade receivables and other receivables as at 30 September 2021.

Income Tax Expenses

Our profit before tax increased by 61.4% from RMB50.7 million for the nine months ended 30 September 2020 to RMB81.9 million for the nine months ended 30 September 2021, and our income tax expenses increased from RMB7.1 million to RMB20.4 million for the same periods, respectively, primarily due to an increase in our profit before tax and a higher effective tax rate for the nine months ended 30 September 2021 than for the nine months ended 30 September 2020, as we had transferred the Non-restricted Businesses to WFOE and its subsidiaries in 2021 and as a result was subject to the unified corporate income tax rate of 25% as part of WFOE and no longer enjoyed the preferential corporate income tax rate of 15% available to Sinohealth Information as a High and New Technology Enterprise. This increase in our effective tax rate was also due to the non-tax deductible [**REDACTED**] incurred offshore in the nine months ended 30 September 2021.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 40.8% from RMB43.6 million for the nine months ended 30 September 2020 to RMB61.5 million for the nine months ended 30 September 2021. Our net profit margin decreased from 30.2% for the nine months ended 30 September 2020 to 25.6% for the nine months ended 30 September 2021. Our adjusted net profit margin (which is a non-HKFRS measure) for the nine months ended 30 September 2021 was 31.5%.

Year Ended 31 December 2019 Compared to Year Ended 31 December 2020

Revenue

Our total revenue increased by approximately 13.7% from RMB177.8 million for the year ended 31 December 2019 to RMB202.1 million for the year ended 31 December 2020, as we recorded an increase in revenue generated from each of our business segments.

Data Insight Solutions

Our revenue generated from Data Insight Solutions increased by approximately 6.1% from RMB92.8 million for the year ended 31 December 2019 to RMB98.4 million for the year ended 31 December 2020, primarily due to an increase in our revenue generated from Growth and Investment Decision Solutions by 31.8%, partially offset by a decrease in our revenue generated from our Data-driven Marketing Solutions by 24.7%.

- ***Growth and Investment Decision Solutions***. The increase in our revenue generated from Growth and Investment Decision Solutions from 2019 to 2020 was driven by our enhanced healthcare big data solutions capabilities and an increase in market recognition of our Growth and Investment Decision Solutions. We continued to invest in expanding our network of partnering pharmacies and big data and AI technologies. Our partnering pharmacies increased from 496 as at 31 December 2019 to 759 as at 31 December 2020 and the retail pharmacy stores covered increased from 25,157 as at 31 December 2019 to 37,703 as at 31 December 2020, providing us with more real-world retail big data. In addition, our AI technology team focused on research and development involving big data analytics, data processing and predictive modeling, in order to improve the efficiency and accuracy of our healthcare big data solutions. Leveraging our leading market position and strong pricing power, we attracted more clients, particularly medical product manufacturers, with higher-value purchases of our Growth and Investment Decision Solutions.

- ***Data-driven Marketing Solutions***. The decrease in revenue generated from our Data-driven Marketing Solutions from 2019 to 2020 was primarily due to the impact of COVID-19 outbreak during 2020 where the outbreak led to a decrease in demand for our customized marketing campaigns, media content and training services, particularly offline marketing campaigns. In addition, we have strategically reduced our print advertising agency services and placement in relation to our Data-driven Marketing Solutions since 2018.

Data-driven Publications and Connections

Our revenue generated from Data-driven Publications and Connections increased by approximately 20.1% from RMB80.5 million for the year ended 31 December 2019 to RMB96.7 million for the year ended 31 December 2020, primarily due to (i) an increase in revenue generated from our Industry Prospect Event by 24.6%; (ii) an increase in revenue generated from our Merchandise Trading Event by 15.3%; and (iii) an increase in revenue generated from other events by 167.7%, partially offset by a decrease in revenue generated from our Retail Sales Event by 32.9%.

- ***Industry Prospect Event***. The significant increase in revenue generated from Industry Prospect Event from 2019 to 2020 was primarily due to (i) improved market acceptance of our upgraded components offered at our Industry Prospect Event after they were launched in 2019; and (ii) an increase in client demand for our healthcare big data solutions under the COVID-19 pandemic.

- ***Merchandise Trading Event***. The increase in revenue generated from our Merchandise Trading Event from 2019 to 2020 was primarily due to (i) a slight increase in our corporate clients for our Merchandise Trading Event as a result of our restructured components offered at our Merchandise Trading Event which included a strategic focus on establishing a platform to integrate resources for medical product manufacturers, wholesalers and pharmacies, whereby medical product manufacturers could effectively promote to regional-level, small to medium-sized chain pharmacies as scattered local retail pharmacies were generally difficult to target, and local and regional retail pharmacies would have access to a wider variety of upgraded offerings and high-quality brands; and (ii) our lining up of certain representative regional and local retail pharmacies as our attendees, attracting more clients to our Merchandise Trading Event.

- ***Retail Sales Event***. The decrease in revenue generated from our Retail Sales Event from 2019 to 2020 was primarily due to our cancelation of a semi-annual Retail Sales Event which was originally scheduled to be held in the first half of 2020.

- ***Others***. The increase in revenue generated from other events from 2019 to 2020 was primarily due to the introduction of our Inter-provincial and Regional Dynamic Sales Events.

SaaS

Our SaaS experienced a movement from an initial stage to a growth stage during the Track Record Period. Our revenue generated from SaaS increased by approximately 57.0% from RMB4.4 million for the year ended 31 December 2019 to RMB7.0 million for the year ended 31 December 2020, primarily due to (i) an increase in the number of our CHIS clients; and (ii) our launch of LinkedSee and Pharmacy Connect in 2020.

Cost of Sales

Our cost of sales slightly increased by approximately 0.3% from RMB71.7 million for the year ended 31 December 2019 to RMB71.9 million for the year ended 31 December 2020. This increase was due to an increase in staff costs resulting from an increase in the average number of our employees from 2019 to 2020 and a slight increase in our average employee salary, partially offset by (i) a decrease in event costs resulting from the cancelation of a Retail Sales Event which was originally scheduled during the first half of 2020 due to the COVID-19 impact as well as the promotional prices offered by our event services and venue providers; and (ii) a decrease in advertising agency expenses as we strategically minimized our offline marketing campaigns through traditional channels such as newspaper advertisements.

Data Insight Solutions

Our cost of sales for our Data Insight Solutions remained relatively stable in 2019 and 2020, primarily due to an increase in our staff costs as we raised our employee salary level with reference to market rates, which was partially offset by a decrease in advertising agency expenses for our Data-driven Marketing Solutions.

Data-driven Publications and Connections

Our cost of sales for our Data-driven Publications and Connections remained relatively stable in 2019 and 2020, primarily due to an increase in our staff costs as we raised our employee salaries with reference to market rates, which was partially offset by a decrease in event costs and labor service fees resulting from the cancelation of a Retail Sales Event.

SaaS

Our cost of sales for our SaaS increased by 17.6% from 2019 to 2020, primarily due to our increased staff costs in relation to our SaaS products.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 22.7% from RMB106.1 million for the year ended 31 December 2019 to RMB130.2 million for the year ended 31 December 2020. Our gross profit margin increased from 59.7% for the year ended 31 December 2019 to 64.4% for the year ended 31 December 2020.

- ***Data Insight Solutions.*** The gross profit margin of our Data Insight Solutions increased from 65.1% in 2019 to 67.4% in 2020, primarily due to (i) an increase in our revenue generated from Data Insight Solutions by approximately 6.1% from 2019 to 2020; and (ii) a relative stable costs of sales for our Data Insight Solutions in 2019 and 2020.

- ***Data-driven Publications and Connections.*** The gross profit margin of our Data-driven Publications and Connections increased from 58.0% in 2019 to 65.5% in 2020, primarily due to (i) an increase in our revenue generated from Data-driven Publications and Connections by approximately 20.1% from 2019 to 2020; and (ii) a relative stable costs of sales for our Data-driven Publications and Connections in 2019 and 2020.

- ***SaaS.*** We recorded a gross profit margin of 8.0% in 2020 as compared with a gross loss margin of 22.9% in 2019, primarily due to an increase in the number of our SaaS clients which contributed to our increased revenue as a result of our direct marketing efforts and cross-selling opportunities. Our SaaS entered into a commercialization stage in 2020 and we began to recoup from our previous investment in SaaS.

Other Income and Gains

Other income and gains increased by approximately 21.5% from RMB15.7 million for the year ended 31 December 2019 to RMB19.0 million for the year ended 31 December 2020, primarily due to (i) an increase in investment income from financial assets at fair value through profit or loss by approximately RMB3.5 million and an increase in fair value gains on financial assets at fair value through profit or loss by approximately RMB1.8 million as we invested more idle cash in wealth management products; and (ii) an increase in government grants received by approximately RMB1.8 million in relation to our high and new technology projects in Guangzhou and organization of Industry Prospect Event in Qiong Hai City, Hainan Province, partially offset by a decrease in bank interest income by approximately RMB3.9 million as we utilized part of our bank deposits in purchases of wealth management products.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 38.7% from RMB10.7 million for the year ended 31 December 2019 to RMB14.8 million for the year ended 31 December 2020, primarily due to an increase in our employee benefits expenses by approximately RMB3.5 million resulting from an increase in the average number of our sales and marketing employees as well as an increase in their average salary as we raised our employee salary level.

Administrative Expenses

Our administrative expenses increased by approximately 29.8% from RMB12.8 million for the year ended 31 December 2019 to RMB16.6 million for the year ended 31 December 2020, primarily due to an increase in our employee benefits expenses by approximately RMB3.2 million resulting from our staffing of more administrative employees at more senior level and our salary increase for our administrative employees.

Research and Development Costs

Our research and development costs increased by approximately 36.1% from RMB29.3 million for the year ended 31 December 2019 to RMB39.8 million for the year ended 31 December 2020, primarily due to (i) an increase in our employee benefits expenses by approximately RMB8.4 million resulting from an increase in the average number of our research and development employees as well as a slight increase in their average salary; and (ii) an increase in technical services fee incurred by approximately RMB1.4 million in relation to our development projects of AI technologies in cooperation with third parties.

Impairment Losses on Financial Assets

We recognized an impairment loss of RMB0.7 million for the year ended 31 December 2020, primarily due to the increase in our long-aged trade receivables as at 31 December 2020.

Other Expenses

Other expenses decreased slightly from RMB31,000 for the year ended 31 December 2019 to RMB8,000 for the year ended 31 December 2020, primarily due to a decrease in losses on disposal of non-current assets.

Finance Costs

Finance costs increased by approximately 112.2% from RMB0.6 million for the year ended 31 December 2019 to RMB1.2 million for the year ended 31 December 2020, primarily due to an increase in office lease.

Income Tax Expenses

Despite an increase in profit before tax by 13.3% from RMB67.1 million for the year ended 31 December 2019 to RMB76.1 million for the year ended 31 December 2020, our income tax expenses decreased by approximately 15.6% from RMB12.7 million for the year ended 31 December 2019 to RMB10.7 million for the year ended 31 December 2020, primarily due to our deferred tax assets increased by approximately RMB2.1 million in relation to tax loss available for offsetting against future taxable profits.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 20.1% from RMB54.4 million for the year ended 31 December 2019 to RMB65.3 million for the year ended 31 December 2020. Our net profit margin increased from 30.6% for the year ended 31 December 2019 to 32.3% for the year ended 31 December 2020.

Year Ended 31 December 2018 Compared to Year Ended 31 December 2019

Revenue

Our total revenue increased by approximately 8.1% from RMB164.4 million for the year ended 31 December 2018 to RMB177.8 million for the year ended 31 December 2019, primarily due to an increase in revenue generated from our Data Insight Solutions and SaaS, partially offset by a decrease in revenue generated from our Data-driven Publications and Connections.

Data Insight Solutions

Our revenue generated from Data Insight Solutions increased by approximately 15.5% from RMB80.3 million for the year ended 31 December 2018 to RMB92.8 million for the year ended 31 December 2019, primarily due to an increase in our revenue generated from Growth and Investment Decision Solutions by approximately 54.7%, partially offset by a decrease in our revenue generated from our Data-driven Marketing Solutions by approximately 8.6%.

- ***Growth and Investment Decision Solutions***. The increase in our revenue generated from Growth and Investment Decision Solutions from 2018 to 2019 was driven by our enhanced healthcare big data solutions capabilities and an increase in market recognition of our Growth and Investment Decision Solutions. We continued to invest in expanding our network of partnering pharmacies and big data and AI technologies. Our partnering pharmacies increased from 201 as at 31 December 2018 to 496 as at 31 December 2019 and the retail pharmacy stores covered increased from 12,726 as at 31 December 2018 to 25,157 as at 31 December 2019, providing us with significant real-world retail big data. In addition, our AI technology team focused on research and development involving big data analytics, data processing and predictive modeling, in order to improve the efficiency and accuracy of our healthcare big data solutions. Leveraging our leading market position and strong pricing power, we attracted more clients, particularly medical product manufacturers, with higher-value purchases of our Growth and Investment Decision Solutions.

- ***Data-driven Marketing Solutions***. The decrease in revenue generated from our Data-driven Marketing Solutions from 2018 to 2019 was primarily due to our strategic reduction of our print advertising agency services and placement in relation to our Data-driven Marketing Solutions.

Data-driven Publications and Connections

Our revenue generated from Data-driven Publications and Connections decreased by approximately 2.0% from RMB82.1 million for the year ended 31 December 2018 to RMB80.5 million for the year ended 31 December 2019, primarily due to (i) a decrease in revenue generated from our Industry Prospect Event by approximately 5.8%; and (ii) a slight decrease in revenue generated from our Retail Sales Event by approximately 5.2%, partially offset by an increase in revenue generated from other events by approximately 69.1% and an increase in revenue generated from our Merchandise Trading Event by approximately 6.9%.

- ***Industry Prospect Event***. The decrease in revenue generated from our Industry Prospect Events from 2018 to 2019 was primarily due to our attempt to upgrade certain components, which did not fully achieve our expected results in 2019. In 2019, in response to latest practices in, and development of, the healthcare industry, particularly how players were becoming more diversified, we replaced certain data-driven business connection components offered at our Industry Prospect Event with those that mainly addressed market demand for data insights and associated services in relation to new drugs, biotechnology, industry and capital, and medical insurance reform. We also reduced the emphasis on pure business activities to incorporate a section on strategy, trends and development of China's healthcare industry while highlighting decisions and actions of major industry players. We implemented these new components to bolster the foundation for our Industry Prospect Events, but as they were relatively new attempts to gain market acceptance, we attracted fewer corporate clients to our Industry Prospect Event in 2019 compared to 2018.

- ***Merchandise Trading Event***. The increase in revenue generated from our Merchandise Trading Events from 2018 to 2019 was primarily due to a slight increase in our corporate clients for our Merchandise Trading Events.

- ***Retail Sales Event***. The slight decrease in revenue generated from our Retail Sales Events from 2018 to 2019 was primarily due to a slight decrease in demand from our corporate clients.

- ***Others***. The increase in revenue generated from other events from 2018 to 2019 was primarily due to the expanded event size of our Competitiveness in China event in 2019.

SaaS

Our SaaS experienced a movement from an initial stage to a growth stage during the Track Record Period. Our revenue generated from SaaS increased by approximately 131.9% from RMB1.9 million for the year ended 31 December 2018 to RMB4.4 million for the year ended 31 December 2019, primarily due to (i) an increase in sales of our CHIS under Smart Decision Cloud; and (ii) an increase in the sales of our SIC add-on services.

Cost of Sales

Our cost of sales slightly increased by approximately 13.1% from RMB63.3 million for the year ended 31 December 2018 to RMB71.7 million for the year ended 31 December 2019. This increase was due to (i) an increase in staff costs resulting from an increase in our average employee salary as we raised our employee salary level with reference to market rate and an increase in the average number of our employees from 2018 to 2019; and (ii) an increase in event costs as we intended to strengthen our market position of our Data-driven Publications and Connections through our Industry Events.

Data Insight Solutions

Our cost of sales for our Data Insight Solutions slightly increased from 2018 to 2019, primarily due to (i) an increase in our staff costs as we raised our employee salary level with reference to market rates; and (ii) an increase in our labor service fees in relation to our increase in sales of Growth and Investment Decision Solutions, which was partially offset by a decrease in marketing expense resulting from a decrease in client demand.

Data-driven Publications and Connections

Our cost of sales for our Data-driven Publications and Connections slightly increased from 2018 to 2019, primarily due to an increase in our event costs as well as labor service fees in relation to our enhanced efforts to promote our upgraded Industry Prospect Event.

SaaS

Our cost of sales for our SaaS increased from 2018 to 2019, primarily due to an increase in staff costs in relation to the operation of our SIC.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 5.0% from RMB101.1 million for the year ended 31 December 2018 to RMB106.1 million for the year ended 31 December 2019. Our gross profit margin decreased from approximately 61.5% for the year ended 31 December 2018 to approximately 59.7% for the year ended 31 December 2019.

- ***Data Insight Solutions.*** The gross profit margin of our Data Insight Solutions increased from approximately 63.7% in 2018 to 65.1% in 2019, primarily due to (i) an increase in revenue from our Growth and Investment Decision Solutions as we received more market demand for our solutions, which was in line with the development of healthcare big data solutions market in the PRC; and (ii) a slight increase in our cost of sales for Data Insight Solutions from 2018 to 2019.

- ***Data-driven Publications and Connections.*** The gross profit margin of our Data-driven Publications and Connections decreased from approximately 62.4% in 2018 to approximately 58.0% in 2019, primarily due to (i) a decrease in our revenue generated from our Industry Prospect Event resulting from our launch of upgraded components in 2019 which was subject to a process of establishing market acceptance. As a result, we recorded a decrease in contracts with higher value for our Data-driven Publications and Connections in 2019. See "—Description of Major Components of Our Results of Operations—Revenue—Data-driven Publications and Connections" in this section; and (ii) a slight increase in the costs of sales for our Data-driven Publications and Connections from 2018 to 2019.

- ***SaaS.*** We recorded a gross loss margin of approximately 71.4% and approximately 22.9% in 2018 and 2019, respectively, as we were in an initial stage to commercialize and monetize our SaaS products and we incurred staff costs and technical services fees in relation to the operation and promotion of our SaaS products.

Other Income and Gains

Other income and gains slightly increased by approximately 3.8% from RMB15.1 million for the year ended 31 December 2018 to RMB15.7 million for the year ended 31 December 2019, primarily due to an increase in investment income from financial assets at fair value through profit or loss by approximately RMB3.7 million and an increase in fair value gains on financial assets at fair value through profit or loss by approximately RMB1.2 million as we started to purchase wealth management products in 2019 and generated investment income, partially offset by (i) a decrease in bank interest income by RMB3.5 million as we utilized part of our bank deposits in purchases of wealth management products; and (ii) a decrease in government grants received by approximately RMB0.9 million.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 38.6% from approximately RMB7.7 million for the year ended 31 December 2018 to approximately RMB10.7 million for the year ended 31 December 2019, primarily due to an increase in our employee benefits for our sales and marketing employees in relation to our enhanced marketing efforts to promote our solutions and products. We increased the average number of our sales and marketing employees and raised their salary level, resulting in an increase of their average salary.

Administrative Expenses

Our administrative expenses slightly increased by approximately 1.4% from RMB12.6 million for the year ended 31 December 2018 to RMB12.8 million for the year ended 31 December 2019, primarily due to an increase in our employee benefits expenses by approximately RMB1.7 million resulting from an increase in the average salary of our administrative employees. We also incurred professional services fees in 2018 in relation to our previous listing plan in the PRC as well as other legal, audit and consulting professional services.

Research and Development Costs

Our research and development costs increased by approximately 32.9% from approximately RMB22.0 million for the year ended 31 December 2018 to RMB29.3 million for the year ended 31 December 2019, primarily due to (i) an increase in our employee benefits expenses by approximately RMB5.8 million resulting from an increase in the average number of research and development employees from 2018 to 2019 particularly recruitment of certain senior research and development employees; (ii) an increase in general office expenses; and (iii) an increase in technical services fee incurred for our development projects of AI technologies in cooperation with third parties.

Impairment Losses on Financial Assets

We recorded impairment losses of RMB1.3 million for the year ended 31 December 2019 as compared to the reversal of impairment of RMB0.5 million for the year ended 31 December 2018, primarily due to an increase in long-aged trade receivables.

Other Expenses

Other expenses decreased slightly from RMB177,000 for the year ended 31 December 2018 to RMB31,000 for the year ended 31 December 2019, primarily due to our losses on deregistration of Guangzhou Maizhi in 2018.

Finance Costs

Finance costs increased by approximately 9.7% from RMB0.5 million for the year ended 31 December 2018 to RMB0.6 million for the year ended 31 December 2019, primarily due to an increase in interest in lease liabilities.

Income Tax Expenses

Despite our profit before tax decreased from RMB73.6 million for the year ended 31 December 2018 to RMB67.1 million for the year ended 31 December 2019, our income tax expenses slightly increased by approximately 1.6% from RMB12.5 million for the year ended 31 December 2018 to RMB12.7 million for the year ended 31 December 2019. It was resulted from an increase in tax loss not recognized for the year ended 31 December 2019, which was due to our loss from certain subsidiaries engaged in research and development.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by approximately 11.0% from RMB61.1 million for the year ended 31 December 2018 to RMB54.4 million for the year ended 31 December 2019. Our net profit margin decreased from 37.2% for the year ended 31 December 2018 to 30.6% for the year ended 31 December 2019.

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The following table sets forth selected information from our consolidated statements as at the dates indicated, which have been extracted from our audited consolidated financial statements included in Appendix I to this document.

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	18,594	17,389	35,046	19,409
Total current assets	364,459	423,462	507,161	483,869
Total assets	**383,053**	**440,851**	**542,207**	**503,278**
Total non-current liabilities	10,543	7,329	22,300	6,158
Total current liabilities	30,963	37,596	55,282	91,734
Total liabilities	**41,506**	**44,925**	**77,582**	**97,892**
Share capital	–	–	–	322
Reserves	338,650	394,739	462,665	405,019
Non-controlling interests	2,897	1,187	1,960	45
Total equity	**341,547**	**395,926**	**464,625**	**405,386**

Current Assets and Current Liabilities

The following table sets forth our current assets and current liabilities as at the dates indicated.

	As at 31 December			As at 30 September	As at 30 November
	2018	2019	2020	2021	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)
CURRENT ASSETS					
Inventories	1,189	599	573	1,680	4,618
Trade and notes receivables	14,513	19,536	28,712	63,755	64,334
Prepayments, other receivables and other assets	1,355	1,677	5,424	8,563	10,243
Financial assets at fair value through profit or loss	–	181,015	356,664	397,754	360,847
Due from a director	–	–	10	–	–
Due from Shareholders	–	–	–	174	–
Cash and cash equivalents	347,402	220,635	115,778	11,943	25,042
Total current assets	**364,459**	**423,462**	**507,161**	**483,869**	**465,084**
CURRENT LIABILITIES					
Trade payables	2,706	2,631	3,669	11,218	9,986
Other payables and accruals	21,596	27,961	38,399	58,039	49,490
Lease liabilities	3,524	3,214	5,570	4,756	4,786
Due to a related party	–	–	1,500	–	–
Due to a director	–	47	47	–	–
Tax payable	3,137	3,743	6,097	17,721	9,005
Total current liabilities	**30,963**	**37,596**	**55,282**	**91,734**	**73,267**
NET CURRENT ASSETS	**333,496**	**385,866**	**451,879**	**392,135**	**391,817**

We had net current asset positions (i) as at 31 December 2018, 2019 and 2020, which were primarily attributable to our large balance of cash and cash equivalents and trade and notes receivables, partially offset by our other payables and accruals, which were mainly payroll payables and contract liabilities representing short-term advances received before the services are rendered; and (ii) as at 30 September 2021, which was primarily attributable to our large balance of financial assets at fair value through profit or loss and trade and notes receivables, partially offset by our other payables and accruals, which were also mainly payroll payables and contract liabilities.

As at 30 November 2021, our net current assets were approximately RMB391.8 million, consisting of current assets of approximately RMB465.1 million and current liabilities of approximately RMB73.3 million. Our net current assets decreased slightly by approximately RMB0.3 million from approximately RMB392.1 million as at 30 September 2021 to approximately RMB391.8 million as at 30 November 2021. This slight decrease was primarily due to a decrease in our financial assets at fair value through profit and loss of RMB36.9 million, partially offset by (i) increases in our cash and cash equivalents of RMB13.1 million and inventories of RMB2.9 million, and (ii) decreases in our tax payable of RMB8.7 million and other payables and accruals of RMB8.5 million.

As at 30 September 2021, our net current assets were approximately RMB392.1 million, consisting of current assets of approximately RMB483.9 million and current liabilities of approximately RMB91.7 million. Our net current assets decreased by approximately RMB59.7 million from approximately RMB451.9 million as at 31 December 2020 to approximately RMB392.1 million as at 30 September 2021. The decrease was primarily due to decreases in our cash and cash equivalents, as we had paid a dividend of RMB120.1 million in the nine months ended 30 September 2021 and an increase in our other payables and accruals by RMB19.6 million, mainly driven by increases in (i) our contract liabilities by RMB8.4 million including unrecognized revenue of our Data Insight Solutions and SaaS products; and (ii) our payroll payables by RMB7.1 million resulting from our increased number of employees.

As at 31 December 2020, our net current assets were approximately RMB451.9 million, consisting of current assets of approximately RMB507.2 million and current liabilities of approximately RMB55.3 million. Our net current assets increased from RMB385.9 million as at 31 December 2019 to RMB451.9 million as at 31 December 2020, primarily due to (i) an increase in financial assets at fair value through profit or loss by approximately RMB175.6 million as we purchased more wealth management products issued by leading commercial banks in the PRC; and (ii) an increase in our trade and notes receivables by approximately RMB9.2 million as we had more sales of our Data Insight Solutions, partially offset by (i) an increase in other payables and accruals by approximately RMB10.4 million primarily in relation to our payroll payables such as salaries and bonuses; and (ii) a decrease in our cash and cash equivalents by RMB104.9 million as we utilized part of our bank deposits in purchases of wealth management products.

As at 31 December 2019, our net current assets were approximately RMB385.9 million, consisting of current assets of approximately RMB423.5 million and current liabilities of approximately RMB37.6 million. Our net current assets increased from RMB333.5 million as at 31 December 2018 to RMB385.9 million as at 31 December 2019, primarily due to (i) an increase in financial assets at fair value through profit or loss by approximately RMB181.0 million as we purchased more wealth management products issued by leading commercial banks in the PRC; and (ii) an increase in our trade and notes receivables by RMB5.0 million as we had more sales of our Data Insight Solutions, partially offset by (i) a decrease in our cash and cash equivalents by RMB126.8 million as we utilized part of our bank deposits in purchases of wealth management products; and (ii) an increase in other payables and accruals by RMB6.4 million primarily in relation to our payroll payables such as salaries and bonuses.

Inventories

Inventories represented contract fulfillment costs in relation to the provision of our Data Insight Solutions which were incurred to fulfill contracts with clients. These are amortized to costs of sales when the related Data Insight Solutions are transferred to clients. They were stated at the lower of cost and net realizable value. Net realizable value was based on estimated selling prices less any estimated costs to be incurred to completion and disposal. As at 31 December 2018, 2019 and 2020 and 30 September 2021, our inventories were RMB1.2 million, RMB0.6 million, RMB0.6 million and RMB1.7 million, respectively.

The following table sets forth our inventories as at the dates indicated.

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract fulfillment costs	1,189	599	573	1,680

Our inventories decreased by approximately 49.6% from RMB1.2 million as at 31 December 2018 to RMB0.6 million as at 31 December 2019, as we had recorded less deliverables as at year end and we improved our efficiency in performing our contracts. Our inventories remained stable of RMB0.6 million as at 31 December 2019 and 2020, and increased by approximately 193.2% to RMB1.7 million as at 30 September 2021, primarily due to a project we undertook falling within our Data Insight Solutions segment with delivery expected to occur in 2022.

As at 30 November 2021, approximately RMB0.5 million, or approximately 31.3%, of our inventories as at 30 September 2021 were subsequently settled.

Trade and notes receivables

Trade and notes receivables consisted of outstanding amounts payable by third parties for solutions and products performed in the ordinary course of our business. Our trading terms with clients were mainly on credit. The credit terms granted to clients generally ranged from seven to 120 days, depending on the specific payment terms in each contract. We seek to maintain strict control over our outstanding receivables. Overdue balances were reviewed regularly by our senior management. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables were non-interest-bearing. As at 31 December 2018, 2019 and 2020 and 30 September 2021, our trade and notes receivables were RMB14.5 million, RMB19.5 million, RMB28.7 million and RMB63.8 million, respectively.

The following table sets forth our trade and notes receivables as at the dates indicated.

	As at 31 December			As at 30 September
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	13,708	20,051	29,547	60,223
Notes receivable	2,081	2,064	2,435	7,142
Impairment	(1,276)	(2,579)	(3,270)	(3,610)
	14,513	19,536	28,712	63,755

Our trade and notes receivables increased from RMB14.5 million as at 31 December 2018 to RMB19.5 million as at 31 December 2019 and further to RMB28.7 million as at 31 December 2020 and RMB63.8 million as at 30 September 2021 primarily due to our increase in revenue, in particular that generated from sales of our Data Insight Solutions and our Industry Prospect Event held in September 2021, as well as our longer credit terms granted to certain reputable corporate clients.

Our notes receivable were all aged within one year and were neither past due nor impaired.

An aging analysis of trade receivables based on transaction dates and net of loss allowance is as follows.

	As at 31 December			As at 30 September
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	9,960	15,694	25,040	53,380
6 to 12 months	853	800	688	3,033
1 to 2 years	1,383	201	228	177
2 to 3 years	236	726	15	23
Over 3 years	–	51	306	–
	12,432	17,472	26,277	56,613

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

	As at 31 December			As at 30 September
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	1,985	1,276	2,579	3,270
(Reversal of impairment losses)/ impairment losses, net	(537)	1,303	691	1,269
Amount written off as uncollectible	(172)	–	–	(929)
At end of year/period	1,276	2,579	3,270	3,610

An impairment analysis was performed at the end of each year or period of the Track Record Period using a provision matrix to measure expected credit losses. The provision rates were based on aging and past due for groupings of various client segments with similar loss patterns. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each year or period of the Track Record Period about past events, current conditions and forecasts of future economic conditions. Amount written off as uncollectible during the Track Record Period was primarily a long-aged overdue bill which was written off in accordance with our internal procedures.

The following table sets forth our average trade and notes receivables turnover days for the periods indicated.

	For the year ended 31 December			For the nine months ended 30 September
	2018	**2019**	**2020**	**2021**
Average trade and notes receivables turnover days(1)	36	39	49	56

Note:

(1) Average trade and notes receivables turnover days are equal to the average trade and notes receivables of a period divided by revenue in the period and multiplied by the number of days (i.e. 365 in a year and 270 for the nine-month period). Average trade and notes receivables are equal to trade and notes receivables at the beginning of the period plus trade and notes receivables at the end of the period and divided by two.

Our average trade and notes receivables turnover days were 36, 39, 49 and 56, which was within our general credit terms. Our average trade and notes receivables turnover days increased from 36 days for the year ended 31 December 2018 to 39 days for the year ended 31 December 2019 further to 49 days for the year ended 31 December 2020 and to 56 days for the nine months ended 30 September 2021, primarily as a result of new agreements we entered into in 2020 and 2021 with a number of large and reputable medical product manufacturers to whom we granted longer credit periods. These companies have certain credit period requirements for their suppliers that are generally higher than other smaller medical product manufacturers or other clients, and which our management considered acceptable as they are reputable companies with high credit ratings. In addition, revenue from these clients increased as a percentage of our total revenue throughout the Track Record Period, which also contributed to the increase in our average trade and notes receivables turnover days.

As at 30 November 2021, approximately RMB23.6 million, or 37.1%, of our trade and notes receivables as at 30 September 2021 were subsequently settled.

Prepayments, other receivables and other assets

Prepayments, other receivables and other assets primarily consisted of prepayments, prepaid expenses, other receivables and other current assets. Prepayments represented payments from our clients in accordance with our contract terms before our delivery of solutions and products. Prepaid expenses represented our prepaid IT services fees and event services fees. Other receivables represented our lease deposits paid and petty cash. Other current assets represented our input tax to be credited. As at 31 December 2018, 2019 and 2020 and 30 September 2021, our prepayments, other receivables and other assets were RMB2.0 million, RMB2.4 million, RMB6.7 million and RMB9.4 million, respectively.

The following table sets forth our deferred [**REDACTED**], prepayments, other receivables and other assets as at the dates indicated.

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	328	583	4,296	2,559
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Prepaid expenses	301	311	174	787
Other receivables	1,379	1,396	2,204	2,306
Other current assets	–	90	26	–
	2,008	2,380	6,700	9,756
Impairment	–	–	–	(325)
	2,008	2,380	6,700	9,431
Current	1,355	1,677	5,424	8,563
Non-current	653	703	1,276	868

Our prepayments, other receivables and other assets remained stable and were RMB2.0 million and RMB2.4 million as at 31 December 2018 and 2019, respectively. Our prepayments, other receivables and other assets increased by approximately 181.5% from RMB2.4 million as at 31 December 2019 to RMB6.7 million as at 31 December 2020, primarily due to (i) an increase in our prepayments by RMB3.7 million in relation to prepayment for advertisement service and data costs driven by agreements entered into with two clients during the Retail Sales Event held near the end of 2020 for exchange of advertising rights and which were recorded under prepayments as the advertising rights had not yet been used, and as we expanded our partnering pharmacy network and hence the associated data costs; and (ii) an increase in other receivables by RMB0.8 million in relation to an increased lease deposits. Our prepayments, other receivables and other assets further increased by approximately 40.8% to RMB9.4 million as at 30 September 2021, primarily due to deferred [**REDACTED**] of RMB[**REDACTED**], which was partially offset by a decrease in our prepayments of RMB1.7 million.

We perform an impairment analysis at the end of each year or period. We have applied the general approach to provide for expected credit losses for non-trade other receivables under HKFRS 9. We consider the historical loss rate and adjust for forward-looking macroeconomic data in calculating the expected credit loss rate.

As at 31 December 2018, 2019 and 2020 and 30 September 2021, we estimated the expected losses for other receivables to be nil, nil, nil and RMB325,000, respectively. The expected losses for other receivables as at 30 September 2021 of RMB325,000 was in relation to our termination of a long-term lease. See "—Discussion of Certain Items from the Consolidated Statements of Financial Position—Lease liabilities" in this section for further details.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss mainly represent our wealth management products that are unlisted and issued by leading and reputable commercial banks in the PRC. Our wealth management products purchased during the Track Record Period were of low or moderately low risks, with short maturity, and mostly were not principal-protected. They bore a fixed term of three to six months, and generally had interest rates ranging from 1.4% to 5% per annum. The fair value measurement of our financial assets used level 2, which was based on valuation techniques for which the lowest level input that was significant to the fair value measurement is observable, either directly or indirectly. See the section headed "Accountant's Report—Note 2.4" in Appendix I to this document. The fair values of these unlisted investments approximate to their costs plus expected interest. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As at 31 December 2018, 2019 and 2020 and 30 September 2021, our financial assets at fair value through profit or loss were nil, RMB181.0 million, RMB356.7 million and RMB397.8 million, respectively.

The following table sets forth the financial assets at fair value through profit or loss as at the dates indicated.

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted investments, at fair value .	–	181,015	356,664	397,754

Our financial assets at fair value through profit or loss generally increased during the Track Record Period, primarily due to an increase in our wealth management products purchased. The following table sets forth the material terms of our wealth management products during the Track Record Period and as at the dates indicated:

		Investment amount				Financial assets at fair value through profit or loss					
Issuing Bank	Investment type	As at 31 December			As at 30 September	As at 31 December			As at 30 September	Expected return (per annum)	Risk Level
		2018	2019	2020	2021	2018	2019	2020	2021		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		
China Everbright Bank	Non-principal protected floating income	–	–	100,900	125,454	–	–	102,771	130,194	2.8%–4.1%	Moderately low
Huaxia Bank	Non-principal protected floating income	–	179,860	238,620	40,420	–	181,015	239,670	41,247	1.6%–5%	Moderately low
Ping An Bank	Non-principal protected floating income	–	–	14,150	55,766	–	–	14,223	56,106	2.4%–3.8%	Moderately low
Shanghai Pudong Development Bank .	Principal protected floating income	–	–	–	169,600	–	–	–	170,207	1.4%–3.5%	Low

None of the Group's wealth management products invested in securities or debts of companies controlled by, or which were related to, any of the Shareholders (including current [**REDACTED**] Investors), Directors, senior management of the Group, or affiliates of the Sole Sponsor.

As part of our treasury management, we may from time to time continue to purchase low to medium-risk wealth management products to improve utilization of our cash on hand on a short-term basis. We have implemented internal policies and rules setting out overall principles and the approval process of such investment activities. As a policy, we consider a number of criteria when assessing a proposal to invest in wealth management products, including but not limited to the following:

(i) we have idle cash on hand and no major cash outflow is needed in the foreseeable future;

(ii) the investment in high risk wealth management products is prohibited;

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

(iv) the management of such investment will not affect the business operation of our Group.

The investment in wealth management products is subject to the approval of an executive Director and the chief financial officer of our Group. Going forward, we intend to continue to limit our investment in those wealth management products with short-term maturity and high liquidity based on the same and consistent criterion.

Our policy for monitoring wealth management products that we have purchased includes obtaining the subscription receipt or record for each investment product and obtaining the monthly statement for each investment product to which we have subscribed. The finance department is also responsible for preparing and collating data on fair value gains and losses every month, which will be sent to be processed into our general ledger to ensure that the our accounts are consistent.

Trade payables

Trade payables primarily consisted of amounts we expect to pay for goods and services that have been acquired in the ordinary course of business, such as labor service fees, marketing expenses, traveling and transportation expenses, accommodation and property management fees.

Our trade payables were non-interest-bearing and were normally settled within 90 days. We were typically granted credit terms of up to 30 days by our major suppliers during the Track Record Period. As at 31 December 2018, 2019 and 2020 and 30 September 2021, our trade payables were RMB2.7 million, RMB2.6 million, RMB3.7 million and RMB11.2 million, respectively.

The following table sets forth our trade payables as at the dates indicated.

	As at 31 December			As at 30 September
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	2,706	2,631	3,669	11,218

Our trade payables remained at the same level in 2018 and 2019 and increased by approximately 39.5% from RMB2.6 million as at 31 December 2019, to RMB3.7 million as at 31 December 2020 and further to RMB11.2 million as at 30 September 2021, primarily due to our increased labor services, marketing and traveling and transportation in anticipation of an increase in client demand for our solutions and products, as well as for event venues and other costs related to our Industry Prospect Event held in September 2021.

An aging analysis of our trade payables as at the end of each of the Track Record Period, based on the invoice date, is as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 3 months	2,706	2,488	2,885	10,438
4 to 6 months	–	114	212	383
7 to 12 months	–	29	360	125
Over 1 year	–	–	212	272
	2,706	2,631	3,669	11,218

The following table sets forth our average trade payables turnover days for the periods indicated.

	For the year ended 31 December			For the nine months ended 30 September
	2018	2019	2020	2021
Average trade payables turnover days[(1)]	13	17	21	29

Note:

(1) Average trade payables turnover days is equal to the average trade payables divided by purchase amount and multiplied by the number of days (i.e. 365 days for a year and 270 for the nine-month period). Average trade payables are equal to trade payables at the beginning of the period plus trade payables at the end of the period and divided by two.

Our average trade payables turnover days were 13, 17, 21 and 29 during the Track Record Period, which was within the credit terms granted to us. Our average trade payables turnover days increased from 13 days for the year ended 31 December 2018 to 17 days for the year ended 31 December 2019 and further to 21 days for the year ended 31 December 2020 and 29 days for the nine months ended 30 September 2021, primarily due to slower settlement to our suppliers during the period and longer credit terms granted to us.

As at 30 November 2021, approximately RMB8.8 million of trade payables, or 78.1% of the trade payables balance as at 30 September 2021 were subsequently settled.

Other payables and accruals

Our other payables and accruals primarily consisted of payroll payables, contract liabilities, accrued [**REDACTED**], tax payables other than income tax and other payables. Our payroll payables represent our salary, bonus and social security fund payable to our employees. Contract liabilities included short-term advances received to render services. The increase in contract liabilities during the Track Record Period were mainly due to the increase in short-term advances received from clients in relation to the provision of services at the end of each of the Track Record Period. Tax payables other than income tax represented value-added taxes and personal income taxes withheld in accordance with the relevant PRC laws and regulations. Other payables represented disbursements payable to our employees. Other payables in 2018 were primarily disbursements in relation to our previous listing plan in the PRC. Other payables were non-interest-bearing and repayable on demand. As at 31 December 2018, 2019 and 2020 and 30 September 2021, our other payables and accruals were RMB21.6 million, RMB28.0 million, RMB38.4 million and RMB58.0 million, respectively.

The following table sets forth a breakdown of our other payables and accruals as at the dates indicated.

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables	11,647	17,521	21,947	29,034
Contract liabilities[1]	8,159	9,071	12,672	21,069
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Tax payables other than income tax	1,130	847	2,595	4,906
Other payables	660	522	1,185	1,089
	21,596	27,961	38,399	58,039

Note:

(1) Details of contract liabilities are as follows:

	As at 31 December			As at 30 September
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Types of services				
Data Insight Solutions	6,705	6,678	8,199	11,589
Data-driven Publications and Connections	550	1,460	284	785
SaaS	904	933	4,189	8,695
	8,159	9,071	12,672	21,069

Our other payables and accruals increased by approximately 29.5% from RMB21.6 million as at 31 December 2018 to RMB28.0 million as at 31 December 2019, primarily due to (i) an increase in our payroll payables resulting from our increased number of employees as well as average employee benefits; and (ii) an increase in our contract liabilities resulting from our signed contracts for Data-driven Publications and Connections to be delivered during the following year.

Our other payables and accruals increased by approximately 37.3% from RMB28.0 million as at 31 December 2019 to RMB38.4 million as at 31 December 2020, primarily due to (i) an increase in our payroll payables resulting from our increased number of employees as well as average employee benefits; and (ii) an increase in our contract liabilities resulting from our signed contracts for Data Insight Solutions and SaaS products to be delivered during the following year.

Our other payables and accruals increased by approximately 51.1% from RMB38.4 million as at 31 December 2020 to RMB58.0 million as at 30 September 2021, primarily due to (i) a significant increase in our payroll payables resulting from our increased number of employees; and (ii) an increase in our contract liabilities resulting from our signed contracts for Data Insight Solutions and SaaS products.

Lease liabilities

Our lease liabilities primarily related to our leased office premises, which generally had lease terms between two and ten years, and other equipment used in our operations, which were generally of low value.

The following table sets forth a breakdown of our lease liabilities by current and non-current portions as at the dates indicated.

	As at 31 December			As at 30 September
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Current	3,524	3,214	5,570	4,756
Non-current	10,543	7,329	22,300	6,158
Lease liabilities	14,067	10,543	27,870	10,914

As we also entered into new leases in 2018 but not in 2019, our lease liabilities decreased from RMB14.1 million as at 31 December 2018 to RMB10.5 million as at 31 December 2019. Our lease liabilities increased from RMB10.5 million as at 31 December 2019 to RMB27.9 million as at 31 December 2020, primarily due to a number of new leases we entered into in 2020. Our lease liabilities decreased to RMB10.9 million as at 30 September 2021 as we terminated a long-term lease agreement in January 2021 as the premises were no longer needed for our business requirements.

Non-current assets and liabilities

Our non-current assets primarily consist of property, plant and equipment, advance payments for property, plant and payment, right-of-use assets, other intangible assets and deferred tax assets. As at 31 December 2018, 2019 and 2020 and 30 September 2021, we had non-current assets of approximately RMB18.6 million, RMB17.4 million, RMB35.0 million and RMB19.4 million, respectively.

Our non-current liabilities primarily consist of lease liabilities. As at 31 December 2018, 2019 and 2020 and 30 September 2021, we had non-current liabilities of approximately RMB10.5 million, RMB7.3 million, RMB22.3 million and RMB6.2 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we had historically funded our cash requirements principally from cash generated from operating activities and capital contribution from shareholders. We require cash for our working capital demand, such as our research and development, purchases of cloud services and software and rental payments under our leases. Our cash and cash equivalents consisted primarily of cash on hand and bank deposits. We had cash and cash equivalents of RMB347.4 million, RMB220.6 million, RMB115.8 million and RMB11.9 million as at 31 December 2018, 2019 and 2020 and 30 September 2021, respectively. We generally deposit our excess cash in interest-bearing bank accounts.

Going forward, we believe that our working capital and other liquidity requirements will be satisfied by using a combination of cash generated from our operating activities, other funds raised from the capital markets from time to time, and [**REDACTED**] received from the [**REDACTED**]. After taking into account our business strategies and development plans, our Directors are satisfied that we remain able to maintain our liquidity for our daily operations.

The following table sets forth a summary of our cash flows for the periods indicated.

	For the year ended 31 December			For the nine months ended 30 September	
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash flows from operating activities	67,823	57,844	61,598	46,446	62,803
Net cash flows used in investing activities	(2,933)	(180,558)	(166,559)	(162,140)	(36,595)
Net cash flows (used in)/from financing activities	(2,117)	(4,053)	103	(252)	(130,178)
Net increase/(decrease) in cash and cash equivalents	62,773	(126,767)	(104,858)	(115,946)	(103,970)
Cash and cash equivalents at beginning of year/period	284,629	347,402	220,635	220,635	115,778
Effect of foreign exchange rate changes, net	–	–	1	2	135
Cash and cash equivalents at end of year/period	347,402	220,635	115,778	104,691	11,943

Net Cash Flows from Operating Activities

Net cash flows from operating activities primarily comprised our profit before tax for the year adjusted by interest paid, income tax paid, non-cash and non-operating items, such as depreciation and bank interest income, and adjusted by changes in working capital, such as trade and notes receivables, trade payables and other payables and accruals.

For the nine months ended 30 September 2021, net cash flows from operating activities was approximately RMB62.8 million, which was mainly attributable to (i) profit before tax of approximately RMB81.9 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB2.1 million; and (iii) an outflow of approximately RMB9.0 million for changes in working capital. Our general working capital changes mainly included an increase in trade and notes receivables of approximately RMB36.3 million mainly resulting from increases in our sales of Data Insight Solutions and our 2021 Industry Prospect Event held in September 2021, which was partially offset by (i) an increase in other payables and accruals of approximately RMB19.2 million mainly resulting from an increase in contract liabilities in relation to our Data Insight Solutions and SaaS products and payroll payables in relation to our employee benefits; and (ii) an increase in trade payables of RMB7.5 million.

For the year ended 31 December 2020, net cash flows from operating activities was approximately RMB61.6 million, which was mainly attributable to (i) profit before tax of approximately RMB76.1 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB6.4 million; and (iii) an outflow of approximately RMB2.6 million for changes in working capital. Our general working capital changes mainly included (i) an increase in trade and notes receivables of approximately RMB9.9 million mainly resulting from an increase in our sales of Data Insight Solutions; and (ii) an increase in prepayments, other receivables and other assets of approximately RMB4.3 million mainly in relation to prepayment for advertising services and data costs, which was partially offset by an increase in other payables and accruals of approximately RMB10.5 million mainly resulting from an increase in payroll payables in relation to our employee benefits and contract liabilities in relation to our Data-driven Publications and Connections.

For the year ended 31 December 2019, net cash flows from operating activities was approximately RMB57.8 million, which was mainly attributable to (i) profit before tax of approximately RMB67.1 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB6.2 million; and (iii) an inflow of approximately RMB0.2 million for changes in working capital. Our general working capital changes mainly included an increase in trade and notes receivables of approximately RMB6.3 million mainly resulting from an increase in our Data Insight Solutions, which was partially offset by an increase in other payables and accruals of approximately RMB6.4 million mainly resulting from an increase in payroll payables in relation to our employee benefits and contract liabilities in relation to our Data-driven Publications and Connections.

For the year ended 31 December 2018, net cash flows from operating activities was approximately RMB67.8 million, which was mainly attributable to (i) profit before tax of approximately RMB73.6 million; (ii) adjustments for income statement items with non-cash effect and non-operating items of approximately RMB7.4 million; and (iii) an inflow of approximately RMB2.8 million for changes in working capital. Our general working capital changes mainly included an increase in inventories of approximately RMB0.7 million mainly resulting from an increase in contract fulfillment costs of Data Insight Solutions, which was partially offset by (i) an increase in other payables and accruals of approximately RMB1.1 million mainly resulting from in payroll payables in relation to our employee benefits; (ii) a decrease in trade and notes receivables of approximately RMB0.9 million mainly resulting from settlement of certain long-aged trade receivables; and (iii) an increase in trade payables of approximately RMB0.4 million.

Net Cash Flows used in Investing Activities

For the nine months ended 30 September 2021, net cash flows used in investing activities was approximately RMB36.6 million, which was mainly attributable to purchases of financial assets at fair value through profit or loss of approximately RMB846.2 million which was partially offset by disposal of financial assets at fair value through profit or loss of approximately RMB809.6 million and investment income received from financial assets at fair value through profit or loss of approximately RMB3.8 million.

For the year ended 31 December 2020, net cash flows used in investing activities was approximately RMB166.6 million, which was mainly attributable to purchases of short-term financial assets at fair value through profit or loss of approximately RMB1,260.6 million, which was partially offset by (i) disposal of short-term financial assets at fair value through profit or loss of approximately RMB1,088.0 million; and (ii) investment income received from financial assets at fair value through profit or loss of approximately RMB7.3 million.

For the year ended 31 December 2019, net cash flows used in investing activities was approximately RMB180.6 million, which was mainly attributable to (i) purchases of short-term financial assets at fair value through profit or loss of approximately RMB742.1 million; and (ii) purchases of items of property, plant and equipment and related advance payment of approximately RMB4.2 million, which was partially offset by (i) disposal of short-term financial assets at fair value through profit or loss of approximately RMB562.2 million; and (ii) investment income received from financial assets at fair value through profit or loss of approximately RMB3.7 million.

For the year ended 31 December 2018, net cash flows used in investing activities was approximately RMB2.9 million, which was mainly attributable to (i) purchases of items of property, plant and equipment and related advance payment of approximately RMB2.8 million; and (ii) purchases of intangible assets of approximately RMB0.1 million.

Net Cash Flows (used in)/from Financing Activities

For the nine months ended 30 September 2021, net cash used in financing activities was approximately RMB130.2 million, which was mainly attributable to (i) a dividend payment of approximately RMB120.1 million declared and approved on 27 January 2021; (ii) a payment for [**REDACTED**] of RMB[**REDACTED**]; and (iii) the net effect of approximately RMB1.5 million resulting from (a) a deemed distribution to certain then shareholders of Sinohealth Information of approximately RMB185.5 million for repurchases of the entire interests they held in Sinohealth Information under the reduction of registered capital for Sinohealth Information as part of the Reorganization; and (b) an issue of shares of the Company of approximately RMB184.0 million. See "History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Reduction of Registered Capital of Sinohealth Information" in this document.

For the year ended 31 December 2020, net cash flows from financing activities was approximately RMB0.1 million, which was mainly attributable to (i) the principal portion of lease payments of approximately RMB3.5 million; and (ii) interest paid for lease liabilities of RMB1.2 million, which was offset by (i) the capital injection by minority shareholders of approximately RMB3.4 million; and (ii) advances from Mr. Qin Jianzeng of RMB1.5 million.

For the year ended 31 December 2019, net cash flows used in financing activities was approximately RMB4.1 million, which was mainly attributable to (i) the principal portion of lease payments of RMB3.5 million; and (ii) interest paid for lease liabilities of RMB0.6 million.

For the year ended 31 December 2018, net cash flows used in financing activities was approximately RMB2.1 million, which was mainly attributable to (i) the principal portion of lease payments of approximately RMB3.7 million; and (ii) the acquisition of non-controlling interests in Guangzhou Sinohealth Lian and Guangzhou Xinkang of approximately RMB1.2 million, which was offset by capital injection by minority shareholders of approximately RMB3.3 million.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the dates and for the periods indicated.

	As at/for the year ended 31 December			As at/for the nine months ended 30 September
	2018	2019	2020	2021
Current ratio[1]	11.8	11.3	9.2	5.3
Quick ratio[2]	11.7	11.2	9.2	5.3
Return on total assets[3]	16.0%	12.3%	12.0%	12.2%
Return on equity[4]	18.5%	14.2%	14.7%	16.6%
Gearing ratio[5]	12.2%	11.3%	16.7%	24.1%
Net profit margin[6]	37.2%	30.6%	32.3%	25.6%

Notes:

(1) Current ratio is calculated by dividing total current assets by total current liabilities as at the end of each period.

(2) Quick ratio is calculated by dividing total current assets less inventories by total current liabilities as at the end of each period.

(3) Return on total assets is calculated by dividing profit for the period by the total assets at the end of each period.

(4) Return on equity is calculated by dividing profit attributable to owners of our Company for the period by the total equity attributable to owners of our Company at the end of each period.

(5) Gearing ratio is calculated by dividing total liabilities by total equity as at the end of the relevant period.

(6) Net profit margin is equal to net profit divided by total revenue for the period.

Current Ratio

Our current ratio was approximately 11.8, 11.3, 9.2 and 5.3 as at 31 December 2018, 2019 and 2020, and 30 September 2021, respectively. Our current ratio remained stable as at 31 December 2018 and 2019. Our current ratio decreased from 11.3 as at 31 December 2019 to 9.2 as at 31 December 2020, primarily due to an increase by RMB10.4 million in our other payables and accruals in relation to payroll payables and contract liabilities while our current assets increased primarily due to an increase in financial assets at fair value through profit or loss as we utilized part of our idle cash to purchase wealth management products. Our current ratio decreased to 5.3 as at 30 September 2021, primarily due to decreases in our cash and cash equivalents, as we had paid a dividend of RMB120.1 million in the nine months ended 30 September 2021, and an increase in other payables and accruals by RMB19.6 million, mainly driven by increases in our contract liabilities and our payroll payables. See "—Discussion of Certain Items from the Consolidated Statements of Financial Position" in this section.

Quick Ratio

Our quick ratio was approximately 11.7, 11.2, 9.2 and 5.3 as at 31 December 2018, 2019 and 2020, and 30 September 2021, respectively. Due to our business nature, we had not recorded significant inventories during the Track Record Period. Our inventories were RMB1.2 million, RMB0.6 million, RMB0.6 million and RMB1.7 million as at 31 December 2018, 2019 and 2020, and 30 September 2021, respectively. As a result, the movement of our quick ratio did not materially deviate from that of our current ratio as at 31 December 2018, 2019 and 2020 and 30 September 2021.

Return on Total Assets

Our return on total assets was approximately 16.0%, 12.3% and 12.0% for the years ended 31 December 2018, 2019 and 2020, respectively. The decrease of our return on total assets from 16.0% in 2018 to 12.3% in 2019 was primarily due to (i) a decrease by RMB6.7 million in our profit for the year from 2018 to 2019 resulting from our increased cost of sales and research and development costs; and (ii) an increase in our current assets by RMB59.0 million from 31 December 2018 to 31 December 2019 primarily resulting from an increase in our trade and notes receivables in relation to our increased sales of Data Insight Solutions. Our return on total assets remained relatively stable at 12.0% as at 31 December 2020, primarily due to our increased in revenue by RMB24.3 million from 2019 to 2020, partially offset by an increase in our total current assets as at 31 December 2020 primarily due to an increase in financial assets at fair value through profit or loss as we utilized part of our idle cash to purchase wealth management products. Our return on total assets increased from approximately 8.3% for the nine months ended 30 September 2020 to approximately 12.2% for the nine months ended 30 September 2021, which was mainly attributable to the increase in our Group's net profit for the nine months ended 30 September 2021 and the decrease in the Group's total assets due to the decrease in cash and cash equivalents as a dividend of RMB120.1 million had been paid in the nine months ended 30 September 2021. By excluding the one-off [**REDACTED**] of approximately RMB [**REDACTED**], our return on assets would be approximately 15.0% for the nine months ended 30 September 2021.

Return on Equity

Our return on equity was approximately 18.5%, 14.2% and 14.7% for the years ended 31 December 2018, 2019 and 2020, respectively. Our return on equity decreased from 18.5% in 2018 to 14.2% in 2019, primarily due to a decrease in profit attributable to owners of our Company by RMB6.5 million from 2018 to 2019 and an increase in equity attributable to owners of our Company by RMB56.1 million from 31 December 2018 to 31 December 2019. Our return on equity slightly increased from 14.2% in 2019 to 14.7% in 2020, primarily due to an increase in profit attributable to owners of our Company by RMB11.8 million from 2019 to 2020 and an increase in equity attributable to owners of our Company by RMB67.9 million from 31 December 2019 to 31 December 2020. Our return on equity increased from approximately 10.5% for the nine months ended 30 September 2020 to approximately 16.6% for the nine months ended 30 September 2021 primarily due to the increase in the profit attributable to owners of our Company for the nine months ended 30 September 2021 and the decrease in the total equity attributable to the owners of our Company which was attributable in part to the decrease in cash and cash equivalents as a dividend of RMB120.1 million had been paid in the nine months ended 30 September 2021.

Gearing Ratio

Our gearing ratio was approximately 12.2%, 11.3%, 16.7% and 24.1% as at 31 December 2018, 2019 and 2020, and 30 September 2021, respectively. As at 31 December 2018, 2019 and 2020, our total equity continued to increase. Our lease liabilities decreased from 31 December 2018 to 31 December 2019 but increased from 31 December 2019 to 31 December 2020 as we entered into additional leases for office purposes, causing the movement in our gearing ratio. As at 30 September 2021, our total equity decreased slightly as compared to that as at 31 December 2020, while our total liabilities increased, which was primarily due to the increases in (i) our other payables and accruals driven by the increases in our contract liabilities and payroll payables, and (ii) our tax payable.

Net Profit Margin

Our net profit margin was approximately 37.2%, 30.6% and 32.3% for the years ended 31 December 2018, 2019 and 2020, respectively. Our net profit margin was approximately 25.6% for the nine months ended 30 September 2021. Our net profit margin decreased to 25.6% for the nine months ended 30 September 2021, primarily due to the [**REDACTED**] we incurred. For an analysis of our net profit margin during the Track Record Period, see "—Consolidated Statements of Profit or Loss and other comprehensive income" in this section. Our adjusted net profit margin (which is a non-HKFRS measure) for the nine months ended 30 September 2021 was 31.5%. See "—Non-HKFRS Measures" in this section for details.

INDEBTEDNESS

As at 31 December 2018, 2019 and 2020, 30 September 2021 and 30 November 2021, we did not have any bank borrowings or banking facilities.

As at 31 December 2018, 2019 and 2020, 30 September 2021 and 30 November 2021, our lease liabilities in respect of our leased properties amounted to RMB14.1 million, RMB10.5 million, RMB27.9 million, RMB10.9 million and RMB10.2 million, respectively.

We received advances from (i) Mr. Wu, our Director, in 2019; and (ii) Mr. Qin Jianzeng, a related party, in 2020. Such advances were non-trade in nature, unsecured, interest-free and repayable on demand. As at 31 December 2018, 2019 and 2020 and 30 September 2021, our balances due to Mr. Wu were nil, RMB47,000, RMB47,000 and nil, respectively, and our balances due to Mr. Qin Jianzeng were nil, nil, RMB1.5 million and nil, respectively. As at 31 December 2018, 2019 and 2020 and 30 September 2021, our balances due from Mr. Wu were nil, nil, RMB10,000 and nil, respectively.

Indebtedness Statement and Confirmation

Except as disclosed in this document or any intra-group liabilities, we did not have any outstanding or authorized to be issued but unissued debt securities, term loans, other borrowings or indebtedness in nature of borrowing, acceptance credits, mortgages and charges, liabilities or guarantees. Save as disclosed above, our Directors confirm that there had been no material adverse change in our indebtedness since 30 November 2021 and up to the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purposes of equipment and software acquisitions and leasehold improvements. Our capital expenditures were RMB2.9 million, RMB4.4 million, RMB1.2 million and RMB2.6 million for the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, respectively.

We expect that our capital expenditures for the year ended 31 December 2021 will primarily consist of purchase of equipment and other intangible assets. We intend to fund our future capital expenditures with our existing cash balance, cash generated from operating activities and [**REDACTED**] from the [**REDACTED**]. We will continue to make capital expenditures to meet the expected growth of our business and may reallocate the funds to be utilized on capital expenditure and long-term investments based on our ongoing business needs. See "Future Plans and [**REDACTED**]" in this document for more details.

CONTRACTUAL OBLIGATIONS

Capital Commitments

As at 31 December 2018, 2019 and 2020 and 30 September 2021, we did not have any significant commitments.

Lease Commitments

For our lease commitments as at 31 December 2018, 2019 and 2020 and 30 September 2021, see "—Discussion of Certain Items from the Consolidated Statements of Financial Position—Current Assets and Current Liabilities—Lease Liabilities" in this section.

CONTINGENT LIABILITIES

As at 31 December 2018, 2019 and 2020 and 30 September 2021, we did not have any material contingent liabilities. Our Directors confirm that there had not been any litigation or arbitration proceedings pending or threatened against us or any of our Directors which could have a material adverse effect on our business, financial condition and results of operations as at 30 September 2021 and up to the Latest Practicable Date. If we were involved in such material legal proceedings, we would record any loss contingencies when, based on information then available, it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. We confirm that our Group had no contingent liability since 30 September 2021 and up to the Latest Practicable Date.

OFF-BALANCE SHEET ARRANGEMENTS

As at 30 September 2021, we had not entered into any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions and balances in our normal course of business, including (i) receiving advances from Mr. Wu and Mr. Qin Jianzeng, our Director and a related party, respectively, where such advances were non-trade in nature, unsecured, interest-free and repayable on demand; (ii) disposing of 100% equity interests in Guangzhou Jiasi to Mr. Wu at a consideration of RMB10,000, resulting in a gain on disposal of RMB50,000 in 2020; (iii) Sinohealth Information acquiring 30% equity interests in Sinohealth Pushi in March 2021 from Mr. Qin Jianzeng at a consideration of RMB1.5 million; (iv) Sinohealth Information acquiring the entire equity interests in Guangzhou Jiasi from Mr. Wu at a consideration of RMB1.0 million on 29 April 2021; and (v) provision of compensation to key management for employee services. For the years ended 31 December 2018, 2019 and 2020 and the nine months ended 30 September 2021, our total compensation paid to key management personnel was RMB3.2 million, RMB3.3 million, RMB4.8 million and RMB3.5 million, respectively. As at 31 December 2018, 2019 and 2020 and 30 September 2021, our balances due from Mr. Wu were nil, nil, RMB10,000 and nil, respectively. As at 30 September 2021, our balances due from shareholders Wellmark BVI and WLF BVI were RMB156,000 and RMB18,000, respectively, and these balances were fully settled as at 31 October 2021. See the section headed "Accountant's Report—Note 31" in Appendix I to this document.

Our Directors are of the view that each of the above related party transactions was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. The transactions contemplated under the Contractual Arrangements will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules. See "Connected Transactions" in this document.

WORKING CAPITAL CONFIRMATION

Our future cash requirements will depend on many factors, including our operating income, market acceptance of our solutions and products or other changing business conditions and future developments, including any potential investments or acquisitions we may decide to pursue. We intend to continue to finance our working capital with cash generated from our operating activities and the [**REDACTED**] received from the [**REDACTED**]. During the Track Record Period, our principal uses of cash were for operating activities. We had cash and cash equivalents of approximately RMB347.4 million, RMB220.6 million, RMB115.8 million, RMB11.9 million and RMB25.0 million as at 31 December 2018, 2019 and 2020, 30 September 2021 and 30 November 2021, respectively. Our cash and cash equivalents decreased during the Track Record Period primarily due to our cash used in increased investment in wealth management products which were mostly short-term investments with a fixed term of three to six months. See "—Discussion of Certain Items from the Consolidated Statements of Financial Position—Current Assets and Current Liabilities—Financial assets at fair value through profit or loss" in this section.

Our Directors confirm that, taking into account of the existing financial resources available to us including internally generated funds, anticipated cash flow from operations and [**REDACTED**] from the [**REDACTED**], we will have available sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this document.

After due consideration and discussion with our management and based on the above, the Sole Sponsor has no reason to believe that we cannot meet the working capital requirements for the 12-month period from the date of this document.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including foreign currency risk, credit risk and liquidity risk. See the section headed "Accountant's Report—Note 34" in Appendix I to this document. We manage and monitor these exposures to ensure appropriate measures are implemented in a timely and effective manner. We did not hedge or consider it necessary to hedge any of these risks as at the Latest Practicable Date.

Foreign currency risk

We have transactional currency exposures and are subject to foreign currency risk arising from fluctuations in exchange rates between RMB and US dollars. Such exposures arise from our cash and cash equivalents denominated in US$. See "Accountant's Report—Note 34" in Appendix I to this document for additional information, including a sensitivity analysis of our exposure to changes in foreign currency exchange rates.

Credit Risk

We are exposed to credit risk mainly arising from our trade receivables, notes receivables and the financial assets included in prepayments, other receivables and other assets. We trade only with recognized and creditworthy third parties and it is our policy that all clients who wish to trade on credit terms are subject to credit verification procedures. To manage this risk, we also monitor receivable balances on an ongoing basis. Since our Group trades only with recognized and creditworthy third parties, there is no requirement for collateral and no significant concentrations of credit risk. Our Directors believe that there is no material credit risk inherent in our outstanding balance of our trade receivables, notes receivables and the financial assets included in prepayments, other receivables and other assets.

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by the management of our Group to finance the operations and mitigate the effects of fluctuations in cash flows. As at 31 December 2018, 2019 and 2020 and 30 September 2021, our total financial liabilities were RMB17.4 million, RMB13.7 million, RMB34.3 million and RMB25.2 million, respectively. A maturity profile of our financial liabilities as at 31 December 2018, 2019 and 2020 and 30 September 2021, based on the contractual undiscounted payments, is disclosed in Note 34 to the Accountants' Report in Appendix I to this document.

DIVIDENDS

No dividend had been declared and paid by us for the years ended 31 December 2018, 2019 and 2020. On 27 January 2021, Sinohealth Information declared and approved a dividend of approximately RMB120.1 million to its then shareholders. We currently do not intend to recommend dividends for distribution to our Shareholders in the foreseeable future.

Under the Articles of Association, our Company in general meeting may declare dividends in any currency to be paid to the shareholders but no dividend shall be declared in excess of the amount recommended by the Board. The Articles of Association provide dividends may be declared and paid out of the profits of the Company, realized or unrealized, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution, dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Act. As advised by our Cayman Islands legal advisers, a position of accumulated losses incurred from prior financial years does not necessarily restrict us from declaring and paying dividends to our Shareholders. Under Cayman Islands law, our Company may pay a dividend out of either our profits (whether retained earnings or profits from the current financial year) or share premium (which is the excess of the issue price of our Shares over their aggregate par value), provided that this would not result in our Company being unable to pay our debts as they fall due in the ordinary course of business. Any dividend we pay will be determined at the absolute discretion of our Board, taking into account the dividend policy we intend to adopt upon [**REDACTED**], which includes factors such as our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors our Board deems to be appropriate.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRSs. PRC laws also require a foreign-invested enterprise, to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

The amount of dividend actually distributed to our Shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our shareholders. Our Board has the absolute discretion to recommend any dividend.

DISTRIBUTABLE RESERVES

As at 30 September 2021, we had distributable reserves of RMB201.8 million.

[**REDACTED**]

Our [**REDACTED**] mainly include [**REDACTED**] and [**REDACTED**] and professional fees paid to legal, accounting and other advisers for their services rendered in relation to the [**REDACTED**] and the [**REDACTED**]. The estimated total [**REDACTED**] (based on the mid-point of the [**REDACTED**] range and assuming that the [**REDACTED**] is not exercised) for the [**REDACTED**] are approximately RMB[**REDACTED**] (HK$[**REDACTED**]), which represents [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], and comprising (i) [**REDACTED**] expenses, including [**REDACTED**] [**REDACTED**], trading fee and levy of RMB[**REDACTED**] (HK$[**REDACTED**]); and (ii) [**REDACTED**] expenses of RMB[**REDACTED**] (HK$[**REDACTED**]), including (a) fees paid and payable to legal advisers and the Reporting Accounts of RMB[**REDACTED**] (HK$[**REDACTED**]); and (b) other fees and expenses[, including sponsor fees], of RMB[**REDACTED**] (HK$[**REDACTED**]). RMB[**REDACTED**] of [**REDACTED**] were incurred and charged to our consolidated statements of profit or loss and other comprehensive income during the Track Record Period. We estimate that we will incur further [**REDACTED**] of RMB[**REDACTED**], of which RMB[**REDACTED**] will be charged to our consolidated statements of profit or loss and other comprehensive income and the remaining amount of RMB[**REDACTED**] is expected to be recognized directly as a deduction from equity upon the [**REDACTED**].

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2021

Our Directors estimate, on the bases set out in Appendix III to this document and in the absence of unforeseen circumstances, that our estimated consolidated profit attributable to owners of our Company and [**REDACTED**] estimated earnings per Share for the year ended 31 December 2021 are as follows:

Estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2021.	[**REDACTED**]
[**REDACTED**] estimated earnings per Share for the year ended 31 December 2021	[**REDACTED**]

The profit estimate, for which our Directors are solely responsible for, has been prepared by them based on the audited consolidated results of our Group for the nine months ended 30 September 2021 as set out in the Accountants' Report in Appendix I to this document, the unaudited consolidated results based on the management accounts of our Group for the two months ended 30 November 2021 and an estimate of the consolidated results of our Group for the remaining one month ended 31 December 2021. The [**REDACTED**] estimated earnings per Share is calculated by dividing the estimated consolidated profit attributable to owners of our Company for the year ended 31 December 2021 by [**REDACTED**] Shares that had been assumed to be in issue throughout the year ended 31 December 2021. The calculation of the [**REDACTED**] estimated earnings per Share does not take into account any Shares which may be issued upon exercise of the [**REDACTED**] or any option which may be granted under the Share Option Scheme or any Shares which may be allotted or issued or repurchased under the general mandates for the [**REDACTED**] and [**REDACTED**] or [**REDACTED**] of the Shares.

[REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and [**REDACTED**] statement of adjusted consolidated net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set forth below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of our Group attributable to equity holders of our Company as at 30 September 2021 as if the [**REDACTED**] had taken place on 30 September 2021.

The [**REDACTED**] statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group had the [**REDACTED**] been completed as at 30 September 2021 or any future date. It is prepared based on our consolidated net assets as at 30 September 2021 as set forth in the Accountants' Report in Appendix I to this document, and adjusted as described below. Our [**REDACTED**] adjusted consolidated net tangible assets do not form part of the Accountants' Report in Appendix I to this document.

	Consolidated net tangible assets attributable to owners of the parent as at 30 September 2021	Estimated [REDACTED] from the [REDACTED]	[REDACTED] adjusted consolidated net tangible assets attributable to owners of the parent as at 30 September 2021	[REDACTED] adjusted consolidated net tangible assets attributable to owners of the parent per share as at 30 September 2021	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$ equivalent*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share . . .	404,151	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share . . .	404,151	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The consolidated net tangible assets attributable to owners of the parent as at 30 September 2021 is arrived at after deducting other intangible assets of RMB1,190,000 from the consolidated equity attributable to owners of the parent of RMB405,341,000 as at 30 September 2021 as shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are calculated based on the [**REDACTED**] of HK$[**REDACTED**] per Share or HK$[**REDACTED**] per Share, being the low-end price and high-end price, after deduction of the [**REDACTED**] and related expenses payable by the Company (excluding [**REDACTED**] of RMB[**REDACTED**] which have been charged to profit or loss prior to 30 September 2021) and do not take into account any Shares which may be issued upon exercise of the [**REDACTED**].

(3) The [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of the parent per Share are calculated based on [**REDACTED**] Shares in issue immediately following the completion of the [**REDACTED**] without taking into account any Shares which may be issued upon exercise of the [**REDACTED**] or any option which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased under the general mandates for the [**REDACTED**] and [**REDACTED**] or [**REDACTED**] of the Shares as described in "Appendix V—Statutory and General Information".

(4) The [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.2115.

(5) No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to 30 September 2021.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 September 2021, being the end date of the periods reported on in the Accountants' Report included in Appendix I to this document, and there is no event since 30 September 2021 that would materially affect the information as set forth in the Accountants' Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as at 30 September 2021, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, China's healthcare big data solutions industry had not experienced material and adverse changes. Our business continued to grow and we strived to enhance our market leading position. Our business segments and cost structure remained stable. We continued to invest in our research and development of big data and AI technologies, supporting our different business segments with a strategic focus on SaaS products. Our unaudited revenue for the 11 months ended 30 November 2021 was higher than the same period in 2020, primarily due to the increases in revenue from each of our business segments driven by recovery of operations and demand as impacts from COVID-19 subsided. We retained existing clients and also attracted new clients for growth of our business when comparing those periods. Based on our preliminary review of the Group's operating data, with a specific focus on the Group's key business segments:

- ***Data Insight Solutions.*** For the year ended 31 December 2021, we had 248 corporate clients for our Data Insight Solutions. Within our Data Insight Solutions segment, as at 30 September 2021, we had 113 and 57 backlog contracts that have been entered into but not completed with a total outstanding contract value of approximately RMB30.8 million and RMB14.4 million for our Growth and Investment Decision Solutions and Data-driven Marketing Solutions, respectively.

- ***Data-driven Publications and Connections.*** We held our 2021 Industry Prospect Event in September 2021 which was larger in scale than in 2020, with approximately 3,100 attendees. Subsequent to the Track Record Period and up to 31 December 2021, we held one event for our Data-driven Publications and Connections. For the year ended 31 December 2021, we had 434 corporate clients for our Data-driven Publications and Connections.

- ***SaaS.*** The number of our clients of our SaaS products continued to increase with our enhanced capabilities, market recognition, marketing efforts and cross-selling opportunities. For the year ended 31 December 2021, we had 416 corporate clients for our SaaS products. As at 30 September 2021, we had 137 backlog contracts that have been entered into but not completed for our SaaS products with a total outstanding contract value of approximately RMB9.4 million.

See "Summary—Recent Developments" in this document.