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OVERVIEW

We primarily provide healthcare insight solutions to address the sales and marketing needs of our medical product manufacturer clients. These solutions are based mainly on our retail data as a significant part of our healthcare big data. We have a leading position in the medical products and channels segment. Healthcare insight solutions refer to product or service offerings based on healthcare big data and associated technologies which support the information and digitization needs of various organizations in the industry. Our partnering pharmacies are our important business partners who primarily supply us with retail data, forming a key component of our database. We deliver our solutions mainly via offline channels such as in the form of reports, publications, events and campaigns. According to the iResearch Report, we ranked first for the medical products and channel segment of healthcare insight solutions in the PRC in terms of (i) revenue in 2021, and (ii) number of top medical product manufacturers (based on the lists of top medical product manufacturers in 2020 compiled by Torreya and Yaozh.com) and number of corporate clients served in 2020.

According to the iResearch Report, the total market size of China's healthcare insight solutions amounted to RMB24.9 billion in 2021 (in which we ranked the 5th in terms of revenue) and is expected to increase to RMB130.3 billion in 2026, representing a CAGR of 39.2%. By application scenarios, China's healthcare insight 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 insight solutions for medical products and channels. Medical products and channels segment amounted to RMB8.2 billion, accounting for approximately 32.9% of the total healthcare insight solutions in terms of revenue in 2021, and is expected to increase to RMB61.1 billion, accounting for approximately 46.9% of the total healthcare insight solutions in terms of revenue in 2026 at a CAGR of 49.4%, according to the iResearch Report. Both the medical products and channels segment and the healthcare insight solutions market in China are relatively fragmented, and in terms of revenue in 2021, we accounted for market shares of approximately 3.9% (among approximately 800 to 1,000 market players) and approximately 1.3% (among more than 2,500 market players), respectively, based on the iResearch Report. While we are the market leader in healthcare insight solutions for medical products and channels, we are actively exploring the market of healthcare insight solutions for medical services whenever there is an opportunity.

Our integrated healthcare insight solutions include:

- (i) **Data Insight Solutions** – tailor-made business growth or investment solutions in the form of customized data insights report to help clients make their business decisions and data-driven marketing solutions for promotion of clients' products to retail pharmacies and consumers, primarily targeting medical product manufacturers;
- (ii) **Data-driven Publications and Events** – customized publications in the form of reports, speeches and presentations by us and our clients based on our data insights as well as precision connections coordinated by us among our business participants (including our clients and non-clients who participate in our events), in order to help industry participants understand the market trend and enable business promotion and networking opportunities amongst them, targeting a wide range of healthcare industry participants such as medical product manufacturers, retail pharmacies and investment institutions; and

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- (iii) **SaaS** – user-friendly software embedded with functionalities such as data insights on medical products, consumer portrait, retail market and the industry, store and retail management tools, health and disease management tools and clinic management tools, in order to enable our clients to rapidly digitalize their business operations, primarily targeting medical product manufacturers, retail pharmacies, physical examination institutions and medical service institutions,

to a diverse group of healthcare industry participants with a particular focus on medical product manufacturers.

Through a combination of industry knowledge and continuous product development, we have developed comprehensive healthcare insight solutions which include customized (Data Insight Solutions and Data-driven Publications and Events) and standardized (SaaS) solutions and products for healthcare industry participants under a wide range of application scenarios. Our solutions and products help our clients improve their efficiency of operation and management, including their product sales, marketing, client management, supply chain management, research and development, product strategies, strategic decision-making and corporate investment.

We have established long-term relationships with a large number of well-known corporate clients in the healthcare industry. For the years ended 31 December 2019, 2020 and 2021, we had 630, 702 and 918 corporate clients, respectively. According to the iResearch Report, in 2021, we had 63 top medical product manufacturer clients, of which 69.8% had transactions with us for each of the three years ended 31 December 2019, 2020 and 2021.

Our business model is supported by the core pillars, namely, (i) Sinohealth Engine (our technology and data platform supporting all of our business segments which improves our product development efficiency and consistency through a cluster of common application modules and technologies and contains our data warehouse); (ii) Healthcare Industry Participant Networks (consisting of various sizeable and revenue-generating events and media channels organized and managed by us to provide business and networking opportunity to participants, promote our offerings and understand business needs for new product development); and (iii) Big Data & AI Lab (our research and development team which supports our technologies through internal research efforts and collaboration with external parties with a focus on data and AI technologies and feeds our well-developed technologies to Sinohealth Engine). See “—Our Business Model” in this section.

During the Track Record Period, our business continued to grow steadily. Our revenue increased by approximately 13.7% from approximately RMB177.8 million for the year ended 31 December 2019 to approximately RMB202.1 million for the year ended 31 December 2020, and by approximately 60.4% to approximately RMB324.2 million for the year ended 31 December 2021. Our profit for the year was approximately RMB54.4 million, RMB65.3 million and RMB72.0 million for the years ended 31 December 2019, 2020 and 2021, respectively. For the same periods, our net profit margin was approximately 30.6%, 32.3% and 22.2%, respectively. Our net profit margin decreased to 22.2% for the year ended 31 December 2021, primarily due to the [REDACTED] incurred, the introduction of certain solutions with lower margins within Data Insight Solutions, and the Reorganization leading to a higher effective tax rate in 2021. See “Financial Information” in this document for more details. Our adjusted net profit margin (which is a non-HKFRS measure) for the year ended 31 December 2021 was 28.6%. See “Financial Information—Non-HKFRS Measures” in this document for details.

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HEALTHCARE INSIGHT SOLUTIONS INDUSTRY

Healthcare insight solutions support the information and digitization needs of various organizations, institutions and enterprises in the healthcare industry. They lead to better services for medical institutions, medical product manufacturers, healthcare managers, healthcare regulators, insurance institutions, patients, and other participants in the healthcare industry chain. Tangible results that can be achieved include reduced clinical research and development costs, enhanced quality of medical diagnosis and treatment services, and more efficient institutional management and operations. This market can be divided into three segments, being (i) medical products and channels, mainly relating to solutions such as data insight solutions, real-world data of medical products and pharmaceutical SaaS services based on big data of medical products, purchasing behavior and circulation of medical products; (ii) medical services, mainly relating to smart medical services, electronic medical records and medical imaging; and (iii) government supervision, mainly relating to policy-making support and regional epidemiological research services. Currently, in terms of market size, the medical services segment is the largest and the medical products and channels segment enjoys the highest growth potential. Players in the healthcare insight solutions industry generally offer solutions that serve sales and marketing or research and development needs of the clients.

This medical products and channels part of the market has grown quickly, driven by factors such as the pressure of pharmaceutical research and development and marketing transformation pressure, and is forecast to reach a market size of RMB61.1 billion in 2026, according to the iResearch Report. Clients of this part of the market are mainly medical product manufacturers, medicine distribution companies and retail pharmacies. These companies are attracted to solutions using big data of user's purchasing behavior and distribution channels, as these data insights can be leveraged to create and target demand, boost sales, and make smart investments for the future. To enjoy a competitive advantage, industry players must be able to form and smartly utilize channels, source healthcare big data of good quality and develop and implement data technology. See "Industry Overview" in this document.

OUR BUSINESS MODEL

We operate a business model based on big data and technologies and provide our clients with a value proposition with an emphasis on problem-solving, business growth and evolution of the healthcare industry as a whole.

Since 2008, we have been focusing on data acquisition, data analytic application and resource integration. Leveraging on our big data and technologies, we offer comprehensive and integrated solutions that support healthcare industry participants, primarily focusing on healthcare insight solutions for sales and marketing of medical products and channels.

Overview of Our Business Segments and Offerings

During the Track Record Period and up to the Latest Practicable Date, we operated three business segments, including Data Insight Solutions, Data-driven Publications and Events and SaaS, following the order of respective revenue contributions during the Track Record Period. Our business model is client-centric and our business portfolio allows us to accommodate the needs of our clients for various scenarios.

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The following table sets forth our portfolio of comprehensive and integrated offerings for each business segment as at the Latest Practicable Date.

Business segment & target clients	Offering	Application scenarios	Value to clients	Deliverable	Monetization
<p>Data Insight Solutions</p> <ul style="list-style-type: none"> Growth and Investment Decision Solutions (<i>targeting medical product manufacturers</i>) 	<ul style="list-style-type: none"> Tailor-made business growth and investment solutions on demand based on our data insights, which contains a clear view on the market performance of relevant medical products and channels 	<ul style="list-style-type: none"> Business operation of medical product manufacturers, such as their production, sales and strategies Investment decision-making 	<ul style="list-style-type: none"> Helping clients form the basis for decision-making, marketing strategies, problem-solving, investment and strategic business development 	<ul style="list-style-type: none"> One-time and/or periodic customized reports, and if required, report interpretations of data analytics and problem-solving recommendations 	<ul style="list-style-type: none"> Service fees on a case-by-case basis depending on the scope of data insight and period to be covered by the report, as well as the complexity of the data analysis and the value to our clients
<ul style="list-style-type: none"> Data-driven Marketing Solutions (<i>targeting medical product manufacturers</i>) 	<ul style="list-style-type: none"> Multi-channel marketing solutions covering customized marketing consultation and campaigns coordination, media content production and training services which are supported by our data technology 	<ul style="list-style-type: none"> Precision connection and promotion for clients' products Retail channel training for medical product manufacturers 	<ul style="list-style-type: none"> Helping clients analyze demand, preference and behavior of end-consumers, identify more suitable marketing channels, formulate more effective marketing plans and create more targeted media content to achieve clients' ultimate goal of driving sales 	<ul style="list-style-type: none"> Marketing proposals and campaigns Media content Customized training 	<ul style="list-style-type: none"> Service fees on a case-by-case basis depending on the scope of data insight, complexity, timespan and expenses of the marketing campaign Service fees on a case-by-case basis depending on the complexity of the media content Service fees on a case-by-case basis depending on the number of participants, the frequency and length of the trainings
<p>Data-driven Events (<i>targeting healthcare industry participants (such as medical product manufacturers, retail pharmacies and investment institutions)</i>)</p>	<p>Publications of data insights through reports, speeches or presentations; precision connection through promotional campaigns and road show coordination; and exhibitions for brand promotion</p>	<p>Understanding of industry developments, brand and product promotion and networking opportunities for medical product manufacturers, pharmacies as well as other business participants</p>	<p>Providing clients with data insights regarding the healthcare industry as well as precision connection with target business partners, publications of views and ideas, exhibition, marketing and business exposure</p>	<ul style="list-style-type: none"> Publications by clients and us Conventions, summits, forums, seminars, exhibitions, promotion campaigns, roadshows organized by us 	<ul style="list-style-type: none"> Lump sum service fees on a case-by-case basis depending on the scope of services and associated costs Service fees on a case-by-case basis depending on the size, facility and the location of the exhibition booth Ticket fee depending on the nature of the events

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Business segment & target clients	Offering	Application scenarios	Value to clients	Deliverable	Monetization
<p>SaaS</p> <ul style="list-style-type: none"> Smart Decision Cloud (mainly CHS, LinkedSee and Pharmacy Connect) (targeting medical product manufacturers, medical, research institutions and suppliers of raw materials of medical products) 	<ul style="list-style-type: none"> Right of use to our proprietary cloud-based software to generate data insights based on drug information analytics, consumer portrait analytics or pharmacy information analytics 	<ul style="list-style-type: none"> Drug related information search and competitive product analysis Market information generation on the latest drug retail performance Information search on pharmacy stores' number, market potential, geographical location and layout 	<ul style="list-style-type: none"> Supporting in looking up specification information and evaluating market potential of a particular drug or drug category, which helps the client formulate decision in relation to medicine research, development or distribution Supporting in obtaining an overall insight into the sales performance of the drug market and the market performance and consumer characteristics for a specific drug category or brand, which helps the client optimize the decisions in relation to retail distribution and development for a specific product category Supporting in gaining an understanding of retail market pattern, scale, potential, which helps the client optimize the decision in relation to sales channel selection, promotion channel selection and marketing effect monitoring 	<ul style="list-style-type: none"> Access to our proprietary cloud-based software, together with additional reports on an ad-hoc demand 	<ul style="list-style-type: none"> Annual subscription fee depending on the number of user accounts required, product purchased and extent of access rights

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Business segment & target clients	Offering	Application scenarios	Value to clients	Deliverable	Monetization
<ul style="list-style-type: none"> Smart Retail Cloud (mainly SIC) <i>(targeting retail pharmacies)</i> 	<ul style="list-style-type: none"> Right of use to our proprietary cloud-based software that facilitates store and retail management 	<ul style="list-style-type: none"> Membership management (such as membership registration tracking, member loyalty identification and purchasing behaviour monitor), store management (including pharmacy staff management and in-store sales performance and inventory assessment), data insight acquisition (regarding market condition and opportunities), and pharmacy staff training (with trackable progress and effectiveness) 	<ul style="list-style-type: none"> Supporting pharmacies with membership and marketing management, store management, data insights and staff training, which improves their customer service efficiency, internal management levels and professional services 	<ul style="list-style-type: none"> Access to our proprietary cloud-based software 	<ul style="list-style-type: none"> Our SIC users were not required to pay us installation and subscription fee and we only charged for customized add-on services such as category management and onsite training during the Track Record Period
<ul style="list-style-type: none"> Smart Health Management Cloud (AI-MDT) <i>(targeting physical examination, institutions and medical service institutions)</i> 	<ul style="list-style-type: none"> API use for physical examination report analysis and subsequent health management plans 	<ul style="list-style-type: none"> Intelligent disease screening and prevention, sub-health intervention and chronic disease management with reference to the health metrics and lifestyle of individuals 	<ul style="list-style-type: none"> Supporting our clients such as physical examination institutions in the provision of in-depth physical examination report analysis and subsequent health management plans to more users based on their respective health metrics and lifestyle in a cost efficient manner 	<ul style="list-style-type: none"> Customized healthcare reports 	<ul style="list-style-type: none"> Usage-based subscriptions for APIs
<ul style="list-style-type: none"> Smart Medical Cloud (revenue generated since 2021 with certain completed modules while research and development of the entire project is yet to complete) <i>(targeting medical service institutions and public health agencies)</i> 	<ul style="list-style-type: none"> Setup of internet hospital through application software 	<ul style="list-style-type: none"> Digitalization of medical service consultation and treatment processes, covering online medical appointments, out-patient consultation, hospitalization, diagnosis, medical treatments, prescription and dispensing, follow-up consultations and medical product logistics 	<ul style="list-style-type: none"> Aiming to support medical service institutions with setup of internet hospitals covering the whole medical treatment process 	<ul style="list-style-type: none"> Application software 	<ul style="list-style-type: none"> Service fees on project basis with reference to the services modules constructed and associated technology and services provided

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Key Financial Information of Our Business Segments

We have a proven track record of monetizing our offerings. Our solutions and products are highly valued by our clients. For the years ended 31 December 2019, 2020 and 2021, our revenue amounted to approximately RMB177.8 million, RMB202.1 million and RMB324.2 million, respectively.

- **Data Insight Solutions.** During the Track Record Period, a significant portion of our revenue was generated from our Data Insight Solutions. For the years ended 31 December 2019, 2020 and 2021, our revenue derived from Data Insight Solutions amounted to approximately RMB92.8 million, RMB98.4 million and RMB161.4 million, representing approximately 52.2%, 48.7% and 49.8% of our total revenue, respectively.
- **Data-driven Publications and Events.** Additionally, during the Track Record Period, our Data-driven Publications and Events which are our healthcare insight solutions delivered through our Industry Events are an important component of our business. For the years ended 31 December 2019, 2020 and 2021, our revenue derived from Data-driven Publications and Events amounted to approximately RMB80.5 million, RMB96.7 million and RMB134.6 million, representing approximately 45.3%, 47.8% and 41.5% of our total revenue, respectively.
- **SaaS.** Over years of laying a solid foundation since 2008, we have developed our SaaS products through our continued efforts in research and development. For the years ended 31 December 2019, 2020 and 2021, our revenue derived from SaaS products amounted to approximately RMB4.4 million, RMB7.0 million and RMB28.2 million, representing approximately 2.5%, 3.5% and 8.7% of our total revenue, respectively.

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The following table sets forth a breakdown of our revenue, gross profit and gross profit margin by business segment during the Track Record Period.

	For the year ended 31 December								
	2019			2020			2021		
	<i>Revenue</i> <i>RMB'000</i>	<i>Gross Profit</i> <i>RMB'000</i>	<i>Gross Profit Margin</i> %	<i>Revenue</i> <i>RMB'000</i>	<i>Gross Profit</i> <i>RMB'000</i>	<i>Gross Profit Margin</i> %	<i>Revenue</i> <i>RMB'000</i>	<i>Gross Profit</i> <i>RMB'000</i>	<i>Gross Profit Margin</i> %
Data Insight Solutions	92,800	60,454	65.1%	98,418	66,294	67.4%	161,367	90,181	55.9%
Data-driven Publications and Events	80,506	46,658	58.0%	96,678	63,355	65.5%	134,613	85,426	63.5%
SaaS	4,444	(1,016)	(22.9)%	6,977	557	8.0%	28,186	17,032	60.4%
Total	177,750	106,096	59.7%	202,073	130,206	64.4%	324,166	192,639	59.4%

The following table sets forth the average revenue generated from each corporate client and the average revenue generated from each of the largest 100 corporate clients in terms of revenue for our business segments during the Track Record Period.

	For the year ended 31 December		
	2019	2020	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Average revenue generated from each corporate client			
Data Insight Solutions	422	434	628
Data-driven Publications and Events	259	295	314
SaaS	20	25	65
Average revenue generated from each of the largest 100 corporate clients			
Data Insight Solutions	904	939	1,506
Data-driven Publications and Events	728	847	1,082
SaaS	40	62	241

For the year ended 31 December 2021, we recorded significant increases in average revenue generated from each corporate client and each of the largest 100 corporate clients for our Data Insight Solutions, respectively, which were mainly due to (i) our clients' increased demand under the Growth and Investment Decision Solutions, which was driven by the recovery of the market from COVID-19 pandemic and our sustained efforts in developing solutions and enhancing data and technology capabilities; and (ii) our emphasis on higher value projects under the Data-driven Marketing Solutions. For the same period, the significant increases in respect of the same for our SaaS were mainly resulted from the growth of our Smart Decision Cloud, where we entered into contracts of higher value with our corporate clients and recorded an increase in the number of corporate clients that purchased more than one product as compared to that of 2020.

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The following table sets forth a breakdown of revenue by client type during the Track Record Period.

	For the year ended 31 December		
	2019	2020	2021
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue by client type			
Corporate clients	177,565	201,874	323,767
Medical product manufacturers	165,220	185,404	291,824
Others ⁽¹⁾	12,345	16,470	31,943
Individual clients	185	199	399
Total	177,750	202,073	324,166

Note:

(1) Others included pharmacies, physical examination institutions, investment institutions, regulators and medical service institutions.

Interaction among Our Core Pillars, Our Solutions and Products and Our Clients

Our Sinohealth Engine, Healthcare Industry Participant Networks and Big Data & AI Lab are the core pillars of our business model:

- **Sinohealth Engine.** It is our technology and data platform which comprises (i) a large number of application modules and technologies developed by our Big Data & AI Lab and (ii) our data warehouse “Tiangong No.1”, to support all of our business segments. There are three main application modules which respectively supports our capabilities in AI, big data and technology development. Our developers are able to quickly assemble these technologies into end-user-oriented features or products so as to improve our product development efficiency and ensure synergy and consistency among our offerings. See “—Our Technologies and Big Data” in this section.
- **Healthcare Industry Participant Networks.** These networks consist of various sizeable and revenue-generating events and media channels focusing on healthcare industry organized and managed by us. Our Healthcare Industry Participant Networks not only provide business and networking opportunities for our business participants, but also help us quickly and accurately understand their business needs for further development of our Data Insight Solutions and SaaS products. In addition, they are our promotion platform for our Data Insight Solutions and SaaS products, helping us access to a large number of potential clients at a low cost and enhance our brand recognition, client loyalty and reputation in the healthcare industry. See “—Healthcare Industry Participant Networks” in this section.

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- **Big Data & AI Lab.** Our Big Data & AI Lab is our research and development team for conducting research on big data and AI technologies through internal research efforts and collaboration with external parties. It supports us in our technologies and cultivates more research and development projects, and feeds our well-developed technologies to Sinohealth Engine. It focuses on the technical research of AI and big data processing and analytics, with a medical and healthcare-specific perspective to enhance our core competence. See “—Research and Development” in this section.

These core pillars interact with each other through the following: (i) Big Data & AI Lab provides technologies to Sinohealth Engine through its research and development on big data and AI technologies. Its research and development projects and collaboration with external experts form part of the publication content and participants of our Healthcare Industry Participant Networks; (ii) Sinohealth Engine supports the content development and publication for Healthcare Industry Participant Networks by making available its technologies and data warehouse; and (iii) Healthcare Industry Participant Networks collect the needs of our business participants and inspire the research initiatives of Big Data & AI Lab, and help promote the well-developed research and development projects of Big Data & AI Lab by way of publication.

Our different business segments create synergies: (i) our Data-driven Publications and Events collect business needs of our other business segments while assisting in their business development at the same time; (ii) our Data Insight Solutions support content requirements for our Data-driven Publications and Events and drive the development of our SaaS products through standardizing certain customary industry needs as software products; (iii) and our SaaS product (SIC) provides data sources for our Data Insight Solutions and Data-driven Publications and Events, and our SaaS clients also become participants of our Data Insight Solutions and Data-driven Publications and Events.

Our business participants comprise (i) our clients including medical product manufacturers, pharmacies, physical examination institutions, investment institutions, regulators, medical service institutions and insurance companies; and (ii) other non-client participants including academic institutions, media, medical service practitioners and consumers. The network effect allows us to attract, reach, engage and connect various participants across the industry value chain.

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The following diagram illustrates our core competence, our solutions/products and our business participants and how they are interconnected.



Notes:

- (1) As described above, our core pillars, Sinohealth Engine, Healthcare Industry Participant Networks and Big Data & AI Lab, represent our core competence and support the development, promotion and delivery of our solutions and products. Knowledge about the business needs of our clients is derived from interaction with them through delivery of our solutions and products, in particular, our Data-driven Publications and Events. Retail, store management and de-identified consumer data is collected from retail pharmacies which are our SIC users and stored in the Sinohealth Engine.
- (2) We primarily provide our solutions and products to our clients including medical product manufacturers, pharmacies, physical examination institutions, investment institutions, regulators, medical service institutions and insurance companies, and we collect fees in return. Retail, store management and de-identified consumer data is collected from retail pharmacies which are our SIC users and ultimately stored in the Sinohealth Engine. Through participation in our Data-driven Publications and Events, background information of participants is collected in our Healthcare Link. In particular, we have commenced offering our Smart Medical Cloud products to medical service institutions in return for a fee in 2021.
- (3) We publish our data insights and media content through our Healthcare Industry Participant Networks to participants including consumers, medical services practitioners, academic institutions and media who may not be our clients and are followers to our Media Channels or are invited by us to participate in our events. In addition, we collaborate with other media outlets in promotion of our Industry Events. Our Big Data & AI Lab also collaborate with academic institutions to enhance our data and AI technologies. Retail data is collected from partnering pharmacies which enter into CMH Cooperation Agreements with us. Through participation in our Healthcare Industry Participant Networks, information of participants is collected by our Healthcare Link.

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OUR STRENGTHS

We believe that the following key competitive strengths contribute to our business growth and differentiate us from our competitors:

We are the largest provider of healthcare insight solutions for medical products and channels in China.

As one of the first movers, we entered the healthcare insight solutions industry in 2008 when we commenced our data collection and data analytics initiatives. As we grow our business, our data insights have been widely accepted and are well-received in the healthcare industry. According to the iResearch Report, we ranked first in the PRC in terms of revenue generated from healthcare insight solutions for medical products and channels in 2021. Healthcare insight solutions for medical products and channels accounted for approximately 32.9% of the entire healthcare insight solution market in terms of revenue in 2021 and it is expected to increase to 46.9% in 2026, according to the iResearch Report.

We have also been engaged by various governmental authorities to conduct research projects which formed part of their policy-making basis, which is a recognition of our capability and leading position. These projects included among others:

- research on impact of the centralized procurement of drugs by the state on retail pharmacies conducted in 2020 for a state-level healthcare authority;
- a white paper on the health condition of the Chinese urban population conducted in 2017 and 2019 for a state-level healthcare authority;
- research on policies in respect of saving medical insurance funds through retail pharmacies and standardized management conducted in 2019 for a state-level healthcare authority;
- a 13th five-year development plan of the healthcare industry which was tailor-made to the specific situation of a local region conducted during 2016 to 2019 for a district-level governmental bureau;
- a 13th five-year development plan focusing on the circulation of pharmaceuticals in the drug retail industry conducted in 2015 for a state-level government bureau; and
- research on the definition and pricing mechanism of famous and quality Chinese medicine conducted during 2014 to 2015 for a state-level commission.

Unlike traditional insight solutions providers, we have also invested in our research and development on software products with a view to capture the digital transformation of the healthcare industry. Based on our industry and data insights, we have developed a number of SaaS products through continuous product upgrades and technological development. For the years ended 31 December 2019, 2020 and 2021, our SaaS products had 226, 283 and 435 corporate clients, respectively. According to the iResearch Report, as at 31 December 2020, the GMV of our partnering pharmacies was approximately RMB46.1 billion, accounting for approximately 10.5% of that of China's total retail pharmacies in 2020.

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We have developed our own model of product commercialization and monetization. As a result of our efficient, established and proven business model, we have achieved strong profitability. Our net profit was approximately RMB54.4 million, RMB65.3 million and RMB72.0 million for the years ended 31 December 2019, 2020 and 2021, respectively. Our adjusted net profit (which is a non-HKFRS measure) for the year ended 31 December 2021 was RMB92.6 million. See "Financial Information—Non-HKFRS Measures" in this document. For the same periods, our net profit margin was approximately 30.6%, 32.3% and 22.2%, respectively. Our net profit margin decreased to 22.2% for the year ended 31 December 2021, primarily due to the [REDACTED] incurred, the introduction of certain solutions with lower margins within Data Insight Solutions, and the Reorganization leading to a higher effective tax rate in 2021. See "Financial Information" in this document for more details. Our adjusted net profit margin (which is a non-HKFRS measure) for the year ended 31 December 2021 was 28.6%. See "Financial Information—Non-HKFRS Measures" in this document.

Leveraging on our first-mover and market leader advantages, significant experience, strong profitability, reputation, market recognition and extensive client base, we believe that we are well positioned to further increase our market share in the industry efficiently and further differentiate ourselves from our competitors.

Being a pioneer in the healthcare insight solutions industry, we are competitive given the high barriers to entry, and we benefit from strong monetization with our established operations and our focus on vertically integrated solutions that are consistent with the unique characteristics of the healthcare industry.

According to the iResearch Report, high barriers to entry have been established in the healthcare insight solutions industry, making it difficult for new entrants to succeed without investing in a large amount of resources or having a clear profitability model. The industry threshold is high, partly due to the high barriers of the healthcare industry and its associated data collection and analysis given that (i) the healthcare industry is of both public interest and commercial nature; (ii) the healthcare industry is highly regulated; and (iii) medical treatment recipients, medical services providers and payers are separated. Therefore, staying competitive in China's healthcare insight solutions industry requires an accumulation of experience over time and complete industry chain offerings, and first-mover advantage is considered one of the entry barriers. See "Industry Overview" in this document.

We are competitive as we have been operating in the healthcare insight solutions industry since 2008 and enjoy first-mover advantage. In 2012, we began our research and development on commercial big data technologies and established our healthcare databases as well as data standardization systems. With our expertise in the healthcare insight solutions industry and insights into the industry trends, we design our solutions and products that are upgraded and optimized based on our experience and technologies.

We believe that we have created strong brand recognition and have enhanced our industry reputation over the years. We strive to become a trustworthy business partner to our clients. We help our clients with identifying market opportunities, understanding the competitive landscape, forming the right marketing decisions and formulating business strategies in the complex and constantly changing market environment, achieving sustainable growth and expanding market shares of their products. We believe that our client base is crucial to our ability to further monetize our business and achieve higher profitability.

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We provide Data Insight Solutions, Data-driven Publications and Events and a variety of SaaS products that are vertically integrated to the healthcare industry participants. Our Data Insight Solutions cover the main aspects of application scenarios in the healthcare industry, including product sales, marketing, client management, supply chain management, research and development, product strategy, corporate strategies and investments. Our solutions provide key knowledge and effective tools for medical product manufacturers in China to improve their efficiency. 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 and further by approximately 64.0% to RMB161.4 million for the year ended 31 December 2021, as we gained more recognition from our clients.

Our SaaS products are specifically designed to provide a superior and reliable client experience across a wide range of application scenarios for the healthcare industry participant. Through standard but effective tools, our SaaS products mainly (i) enable medical product manufacturers and pharmacies to quickly understand retail market trends, consumer insights, retail planning and channel management, and enable them to efficiently conduct category management, membership management, staff training and (ii) enable physical examination institutions to conduct healthcare management for more users, thereby improving their efficiency and performance. Our revenue generated from SaaS products increased by approximately 57.0% from approximately RMB4.4 million for the year ended 31 December 2019 to approximately RMB7.0 million for the year ended 31 December 2020 and further by approximately 304.0% to RMB28.2 million for the year ended 31 December 2021.

We believe that our Data Insight Solutions and SaaS products provide us with significant growth potential and competitive advantages. Through our comprehensive Data Insight Solutions that target medical product manufacturers, we have successfully developed and enhanced our relationship with the medical product manufacturers in the PRC as well as our market position. With our various SaaS products targeting medical product manufacturers, pharmacies, medical service institutions and other healthcare industry participants, we are able to diversify our monetization channels from a more diverse client base through our SaaS offerings. As we grow, we will invest in more optimized products to meet clients' needs and strengthen their relationship with us.

Our powerful Healthcare Industry Participant Networks allow us to generate revenue, enhance our clients' business opportunities through precision connection and marketing, understand clients' needs and enhance our sales and marketing efficiency.

Our well-recognized Industry Events such as the Industry Prospect Events, Merchandise Trading Events and Retail Sales Events which we have organized for more than 13 years, coupled with our various Media Channels, precisely connect a wide range of industry participants such as pharmacies, medical product manufacturers, investment institutions, experts and media. See "—Healthcare Industry Participant Networks" in this section for details.

Our Industry Events are the channel for us to deliver our Data-driven Publications and Events and generate revenue. We provide customized content preparation and review for our clients' publications to deliver to their potential business partners and investors in the promotion of their brands and products during our events. Such contents are mainly prepared in the form of tailor-made reports, speeches and presentation slides based on our data insights which contain

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analysis on the brand value and business potential of our clients. We also publish and provide our event attendees with our data insight reports which are tailor-made according to the theme of each event. The content and our reports are core values of our events and an important highlight, which has attracted diversified attendees to actively participate in our events for more than a decade. For the years ended 31 December 2019, 2020 and 2021, revenue generated from our Data-driven Publications and Events was approximately RMB80.5 million, RMB96.7 million and RMB134.6 million, respectively.

In addition, through our Industry Events, we offer valuable opportunities to these industry participants on a regular basis for (i) face-to-face interactions with experts, business partners, peers and clients of the healthcare industry; (ii) publications of views and ideas on the industry and corporate strategies; and (iii) exhibition, marketing and business exposure. Leveraging our Healthcare Link which keeps track of the activities of participants, we provide precision connection and marketing and promote business cooperation among participants. In addition, each of our Media Channels has its own unique market positioning and followers, and individually and collectively serve various purposes for our clients, including marketing and training.

Through our Healthcare Industry Participant Networks, we are able to track the needs of the healthcare industry participants more quickly and accurately to facilitate our successful solutions and products development. Meanwhile, our Healthcare Industry Participant Networks enable us to develop key clients, formulate our business proposals for them and promote our capabilities and offerings. As a result, we are able to maintain low marketing expenses for the effective acquisition of new clients and strengthen our brand awareness and recognition. For the years ended 31 December 2019, 2020 and 2021, our selling and distribution expenses were approximately RMB10.7 million, RMB14.8 million and RMB24.8 million, representing only 6.0%, 7.3% and 7.6% of our total revenue for the same periods, respectively. Our selling and distribution expenses for the years ended 31 December 2020 and 2021 increased primarily due to an expansion in our sales and marketing team for promotion of our SaaS products. See "Financial Information" section in this document.

According to the iResearch Report, our Data-driven Publications and Events delivered through our Industry Events differ from traditional medical conferences organized by other event organizers in the following ways: (i) traditional medical conferences focus on medical knowledge dissemination targeted at physicians while our events are driven by promoting our own solutions and products and assisting our clients, mainly medical product manufacturers, pharmacies and investors, in promoting their brand value and products and precision connection with other industry participants based on our data insights and technologies; (ii) we take the leading role in hosting and deciding the theme and content of our events as opposed to traditional medical conference organizers which merely play the execution role in which the topics are typically chosen by the hosts such as medical associations; (iii) traditional medical conferences are usually unrelated to healthcare big data while our data technologies and analysis play a key role in preparing for and delivering publications for us and our clients in our events, and the events themselves serve as a platform for our deliverables; and (iv) the event organizers usually charge a service fee based on a certain percentage of the associated costs of setting up the conferences but our clients pay us a lump sum contract fee which covers a selection of our service items including sponsorship, exhibition, promotion campaign and roadshow as well as the associated costs of the requested services.

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We have developed an extensive, prestigious and loyal client base.

We believe that the healthcare industry today is characterized by the existence of medical product manufacturers of different sizes, all of which are driven to streamline their business process and increase their efficiency so as to compete effectively. We believe this creates a significant demand for our solutions and products. Our understanding of the healthcare industry and insight into the latest industry trends and developments enables us to provide a full range of healthcare insight solutions to support our clients' long-term growth and helps us stand out from our competitors.

For the years ended 31 December 2019, 2020 and 2021, we had 630, 702 and 918 corporate clients, respectively. Our clients mainly cover key participants in the healthcare industry, including medical product manufacturers, pharmacies, regulators, investment institutions and medical service institutions. 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 insight solution providers for the number of top medical product manufacturers covered. According to the iResearch Report, in 2021, the number of the top medical product manufacturer clients we covered increased to 63. For the years ended 31 December 2020 and 2021, 304 and 426 of our corporate clients were repeat clients. For the same periods, our revenue derived from these repeat clients amounted to approximately RMB165.7 million and RMB262.0 million, representing approximately 82.0% and 80.8% of our total revenue, respectively.

We value clients' feedback, which drives our improvements of client services. We address a variety of after-sales client requests in a timely and effective manner to improve overall client satisfaction. Our large and growing client base provides us with valuable insights into best industry practices, allowing us to better understand clients' needs and improve our solutions and products accordingly.

Our extensive network and big data strongly supports our solutions and products.

We possess comprehensive databases which are arranged in line with the unique characteristics of the healthcare industry, including our self-developed master databases, retail market database and retail insight database. Throughout more than ten years of deep cultivation, these databases form our backbone of most of our analyses and solutions.

Our master databases are developed by us that can be used as indexes and describe the core attributes of various information in the healthcare industry. Our master data is mainly collected from officially published information. Our master databases are our important healthcare directory as well as the basis of our solutions and products including Pharmacy Connect. See "—Our Technologies and Big Data—Big Data" in this section.

Our retail market database is established through our data cooperation with partnering pharmacies. Our partnering pharmacies increased from 496 as at 31 December 2019, to 759 as at 31 December 2020 and further to 1,072 as at 31 December 2021 while the retail pharmacy stores covered increased from 25,157 as at 31 December 2019, to 37,703 as at 31 December 2020 and further to 52,882 as at 31 December 2021. Retail pharmacies are our important business partners. According to the statistics of the National Medical Products Administration,

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by the end of 2020, there were approximately 554,000 pharmacies in China, of which 55.7% were chain pharmacies. In order to establish and grow databases which are representative in the industry, cooperation with pharmacies at various levels is required. We have established and maintained a close relationship with our partnering pharmacies.

On the basis of our retail market database, we establish our retail insight database through amplified and imitation modeling that covers various retail data such as medicine, healthcare products, medical devices and Chinese medicine. We process our data at our data warehouse, cross-check against our master databases and label them with various standardized tags, so as to meet our analysis needs which include among others product name, manufacturer, specifications, packaging quantity, medicine attributes, applicable population, dosage form, medication route and medical insurance catalog.

The granularity of our retail insight database enables a complete retail index system analysis, such as sales scale, market share, sales growth and distribution channel. As a result, we are able to provide data insights regarding individual markets of 22 provinces, municipalities and autonomous regions (collectively, "**provinces**") and 101 cities as at the Latest Practicable Date. Meanwhile, we have recently developed market insight of DTP pharmacies and e-commerce market insight products in response to the trend of accelerated new drug launches and the development of e-commerce.

In addition to our data resources, we have mature analytics models, marketing theories and industry practice experience which provide sound and standardized data insights, professional research and tailor-made solutions to address different application scenarios as well as business needs such as decision-making regarding strategy, marketing and sales. Our data as well as data analytics models enable deeper and more accurate insights, knowledge and solutions.

Our Sinohealth Engine is able to incubate Data Insight Solutions and SaaS products effectively and successfully.

Our offerings and technological development are our core competitiveness. Since 2008, we have identified the significant market potential of research and development regarding the marketing and operation of the healthcare industry due to its complex nature. Since then we have focused on product and technology development with a view of contributing to the digital transformation of China's healthcare industry. Our SaaS products are built upon advanced data technologies, AI technologies and cloud computing and support the complex and data-intensive operation and management of the participants in the healthcare industry.

Through continuous upgrade and optimization, our Data Insight Solutions for the healthcare industry have integrated common industry practices. Our Data Insight Solutions can integrate effectively with our clients' own databases and internal decision-making systems, which helps improve client experience and increase our business opportunities.

We continue to diversify our SaaS products to cover the major application scenarios of the healthcare industry participants. Our Sinohealth Engine enables us to integrate application modules into a complete SaaS product and quickly apply them into application scenarios.

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As at the Latest Practicable Date, we had 62 registered software copyrights and four patents relating to our Data Insight Solutions and SaaS products. The success of our product and technology innovation has been recognized with various awards and honors. For example, our Sinohealth Jianshu has been appraised at CMMI Maturity Level 3 of the Capability Maturity Model Integration for Development (Staged), Version 2.0 which is effective until 5 February 2024. This demonstrates that our software center has formulated a standard internal procedure and established an integrated system to proactively improve our software development and maintenance.

Our visionary management and talented pool of both IT and healthcare expertise enables us to succeed in a highly professional industry.

We are led by an experienced management team with a proven track record of driving innovation, growth and profitability focused on developing solutions using big data analytics and technological capabilities for healthcare industry participants. Mr. Wu, our founder, Chief Executive Officer and Chairman, has over 20 years of experience in the healthcare and technology industries. He brings a wealth of experience from his previous tenure at the NMPA Southern Medicine Economic Research Institute (國家藥品監督管理局南方醫藥經濟研究所) (the "SMERI"), where he was the general manager of the information center. He was also the general manager of the operating company of Pharmaceutical Economic News (《醫藥經濟報》) hosted by the SMERI. His entrepreneurship and vision led to the founding of our Group in 2007. Mr. Wu was joined by Ms. Wang, our Chief Operating Officer and an executive Director, in 2008. She has over 20 years of experience in the healthcare industry, and was previously the vice general manager of the operating company of Pharmaceutical Economic News (《醫藥經濟報》). Mr. Su Caihua, our chief data officer and the vice president of our Group, joined us in 2008 and is mainly responsible for our Data Insight Solutions business. He obtained a bachelor's degree in prophylaxis from Zhejiang University in the PRC in September 1999. Mr. Tang, our chief technology officer, joined us in 2017 and is mainly responsible for our research and development in AI technology and big data. Mr. Tang obtained a bachelor's degree in prophylaxis from Guangxi Medical University in June 2010 and a master's degree in public healthcare from Sun Yat-Sen University in June 2012. He is currently studying at the University of Chinese Academy of Sciences for a doctorate program majoring in computer application technology.

Our senior management team works closely with our data technology experts and are able to provide valuable insight and guide our programs and processes to improve their accuracy, precisions, relevancy and efficiency. Our team collectively understands the needs of our healthcare industry participants, and are able to recognize and anticipate the direction of their needs, enabling us to continually develop and deliver solutions on a growing scale.

We are committed to attracting and retaining leading talent in the industry, who are drawn to us due to our established position in the healthcare insight solutions industry, clear and concrete mission and value propositions, and employee incentive programs. We are able to offer high job satisfaction resulting in motivated employees with a stable team structure. As at the Latest Practicable Date, 28 of our employees possessed medical expertise, with an average working experience of more than seven years; 54 of our employees possessed medicine expertise, with an average working experience of more than six years; 111 of our employees possessed computer science expertise, with an average working experience of more than six years. Notably, we have attracted and retained compound talents which include Mr. Tang with

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multi-subject knowledge, expertise and experience. We believe that our employees are key to our business success and to ensure our sustainable development.

OUR STRATEGIES

We intend to maintain and continuously strengthen our position as a pioneer healthcare data technology company in China. For our future plans and [REDACTED], see "Future Plans and [REDACTED]" in this document. To achieve this goal, we plan to pursue the following business strategies:

Continue to invest in and expand our SaaS products in the healthcare industry

We will continue to enhance the functionality and performance of our SaaS products. With the development of cloud technology, the demand of the healthcare industry participants for technology-driven SaaS products has extended from decision support to a wider range of specific business scenarios. In response to our clients' increasing demand for specific solutions, we plan to increase our investment in technological innovation and product development, introduce more SaaS products and functions which can be monetized, and provide one-stop services to clients.

According to the iResearch Report, SaaS delivery and non-SaaS delivery are two delivery models for the market of healthcare insight solution, with the market size for SaaS delivery expected to grow at a CAGR of approximately 61.4% from 2021 to 2026. The SaaS delivery model is expected to become more prevalent as technologies advance and its advantages in delivery, operation and maintenance will allow it to have broad application prospects in the medical and healthcare industry. We have recognized that medical product manufacturers, which form our core group of clients, are actively considering adopting SaaS products more often to solve their marketing and operation problems, especially since SaaS products are generally flexible and convenient to use and operate, capable of updating data on a timely basis and relatively cost-effective. According to the iResearch Report, SaaS delivery methods will play an increasingly important role in insight solutions for medical products and channels in China, as demonstrated by its estimate to grow from 14% of insight solution for medical products and channels in China using the SaaS delivery method in 2021 to approximately 22.0% by 2026.

We plan to attract new clients by investing more in the branding and marketing of our SaaS business segment. In particular, we plan to increase penetration of our SaaS products among our existing clients through cross-selling. We believe this will not only drive growth of our SaaS products in a cost-effective manner, but also help strengthen our relationship with these clients and increase their engagement level and retention rate.

In addition to research and development of new SaaS products, we intend to invest heavily in our existing Smart Decision Cloud, Smart Retail Cloud, Smart Medical Cloud and Smart Health Management Cloud for the purposes of (i) module upgrades and improvement of our application scenarios; and (ii) expansion of client type and base. For example, we expect to promote our Smart Medical Cloud to groups including community medical institutions, private hospitals and county-level hospitals. We also expect to convert our existing non-paying SIC users to paying users. For Smart Health Management Cloud, we seek to cooperate with new clients and expand our coverage to reach more end-users.

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Focus on innovation and in-depth research of data technology and AI technology

Leveraging on our industry experience and expertise, we intend to continue to deepen our understanding of the development trends of the healthcare industry in the PRC and the business models of different participants in the industry in order to develop our products and technologies. We intend to further apply technologies, including big data technology, AI technology and cloud computing, so as to expand and improve the performance of our products in different business scenarios. We expect to seamlessly integrate the technologies and applications developed for our business partners, and further promote the digital transformation of the healthcare industry in China.

- **Data Insight Solutions.** We intend to develop an insight delivery platform (i.e., a business intelligence platform that helps business gather, understand and visualize their data) to improve the efficiency and security of delivery, and use data technology and AI technology to establish more data models, so that our data insights can cover more business scenarios. Meanwhile, we will also invest more resources in data processing technology, data mining technology, data visualization technology, and develop more big data insight models.
- **SaaS.** We expect to continue to use cloud technology, AI technology and software development technology and upgrade Sinohealth Engine to further enhance the development efficiency of our SaaS applications, and better support large-scale product development.
- **aPaaS for our middleware.** We believe the open architecture of Sinohealth Engine will help us build a robust services model, enabling clients to develop and manage multiple applications with greater flexibility and less complexity. As at the Latest Practicable Date, we had taken initiatives in our aPaaS research and development including woodpecker medical cognition aPaaS and life science solution aPaaS. See “—Research and Development—Recent Initiatives” in this section.

In addition, we plan to leverage our industry knowledge to add more industry data and insights to our products, with a view to creating synergies between our Data Insight Solutions and SaaS to further drive the strategic development of our clients’ businesses. To this end, we expect to develop more SaaS products based on the technologies we apply and develop for our Data Insight Solutions.

Continue to expand our client base and drive sales by leveraging our network effect and synergies among our business segments

We intend to continue to capture business opportunities in digitalization transformation in the healthcare industry and continue to attract and retain clients and to enhance level of client stickiness. According to the iResearch Report, the market size of healthcare insight solution is expected to increase by a CAGR of 39.2% from RMB24.9 billion in 2021 to RMB130.3 billion in 2026, driven by technology developments such as AI and cloud computing. Accordingly, we expect that there will be significant increase in demand for our solutions and products as well as a substantial growth of overall market opportunities. The percentage of insight solutions for medical products and channels in the healthcare insight solution market is expected to increase

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from 32.9% in 2021 to 46.9% in 2026, becoming the largest segment of the entire healthcare insight solution market. As a big data company focusing on insight solutions for medical products and channels, we intend to leverage our current leading position and continue our penetration of this market.

According to the iResearch Report, it is expected that medical product manufacturers will have the strongest payment capabilities for healthcare insight solutions in 2024. Payments made by medical product manufacturers will become a main revenue generator. As a result, medical products and channels insight solution providers with a client base of more medical product manufacturers will become more advantageous. With our leading position in medical product manufacturers coverage, we seek to enhance our capabilities and reputation to expand our client base and target more medical product manufacturers.

Through our direct marketing efforts and cross-selling opportunities, we plan to expand our client base to cover the full range of our business participants, such as to directly serve more medical services providers, medical practitioners, patients and insurance companies. In anticipation of the potential demand from these business participants, we intend to develop and commercialize our solutions and products such as consumer label system, internet hospital, retail SaaS products and in-hospital SaaS products. Our powerful Healthcare Industry Participant Networks allow us to maintain and strengthen our relationships with business participants including among others our existing and potential clients.

Enhance our cooperation with key clients in the healthcare industry through resource integration

With our established market position and industry insights, we have ongoing partnerships with leading companies in the healthcare industry, such as large medical product manufacturers and retail pharmacies. We expect that key clients will grow market share and become our strategic cooperative clients. We will continue to integrate technology, manpower and network resources to enhance our relationships with clients throughout China. We plan to further deepen and broaden our relationship with medical product manufacturers to promote our long-term client relationships.

To this end, we plan to continue leveraging our industry insights to optimize our products to meet evolving clients' needs. We also plan to collaborate with our business partners to provide services to the leading companies in the healthcare industry.

Our focus on our clients' business success is critical to our ability to build long-term relationships with key medical product manufacturers. We believe that delivering measurable business results underpins our strong brand reputation. This expects to help us retain existing clients at a lower cost and enable wider adoption of our Data Insight Solutions and SaaS products, creating a cycle to drive sustainable growth of our business.

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Seek external research and development opportunities leveraging our Big Data & AI Lab

As we further develop our internal research and development capabilities, our Big Data & AI Lab is well-prepared to engage in research and development projects for external clients, leveraging on our technological capabilities as well as our expertise. Our Big Data & AI Lab intends to focus on the application of AI, real-time data processing, big data analytics and predictive modeling. Furthermore, we adopt specific methodologies for the purpose of enhancing our medical and health management research and development as well as introducing new offerings. We actively seek external research and development opportunities using our Big Data & AI Lab whenever we identify suitable projects. We also intend to invest in these projects if they could provide us with a desired rate of return or synergies with our current technologies and offerings.

Seek strategic alliances, investments and acquisition opportunities

We intend to selectively pursue strategic acquisitions, investments and other strategic partnerships that complement our growth strategies, particularly those that will help us diversify our product offerings, enhance our technologies and products and expand our client base. We believe that our industry experience and insight will help us select the right target companies and effectively assess and capture potential business opportunities. For investment businesses, we intend to leverage our resources to facilitate their growth and success, aiming to build sustainable and mutually beneficial relationships with these companies and to jointly promote the intelligence of the healthcare industry in the long run.

Expand the construction of our Healthcare Industry Participant Networks to integrate more industry participants

Our Healthcare Industry Participant Networks are of strategic significance to us, both for product development and product promotion. Going forward, we intend to continue to expand the industry participants covered by our Healthcare Industry Participant Networks, including increasing the number of existing types of participants and expanding new type of participants (such as pharmaceutical research and development institutions, medical service institutions, scientific research services institutions, patient organizations, overseas medical institutions and commercial insurance institutions). We expect that the introduction of new types of industry participants will bring new business needs, make our business model more complete and solid, and drive the development and promotion of our Data Insight Solutions and SaaS products. Leveraging on our technological capabilities, we intend to further improve our Healthcare Link which is expected to become a one-stop integrated platform allowing for online product display, facilitating transactions and interactive data cooperation that are traditionally achieved offline. We intend to promote our upgraded Healthcare Link after it is successfully developed with enhanced functionality and performance, with a view to developing it into an influential online platform in the healthcare industry.

OUR BUSINESS SEGMENTS

We aim to provide scalable, flexible and effective solutions to our clients. Our comprehensive and integrated Data Insight Solutions, Data-driven Publications and Events and SaaS offerings cover the full vertical healthcare industry chain. Our clients may purchase our solutions and products from any business segment in various combinations, depending on their operational needs.

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Data Insight Solutions

We have more than ten years of experience in providing Data Insight Solutions to the healthcare industry. As at the Latest Practicable Date, our Data Insight Solutions included Growth and Investment Decision Solutions and Data-driven Marketing Solutions, both of which are empowered by our big data and data analytics capability. Under our Growth and Investment Decision Solutions, we offer tailor-made business growth or investment decision solutions in the form of one-time or periodic customized reports. With our customized reports, we provide our clients with a clear view on the market performance of relevant medical products and channels, and assist them in making their business decisions. Under our Data-driven Marketing Solutions, we engage in the provision of multi-channel marketing solutions mainly used by our clients in promotion of the sales of their products to their end-consumers. Our customized marketing solutions cover customized marketing consultation and campaigns coordination, media content production and training services.

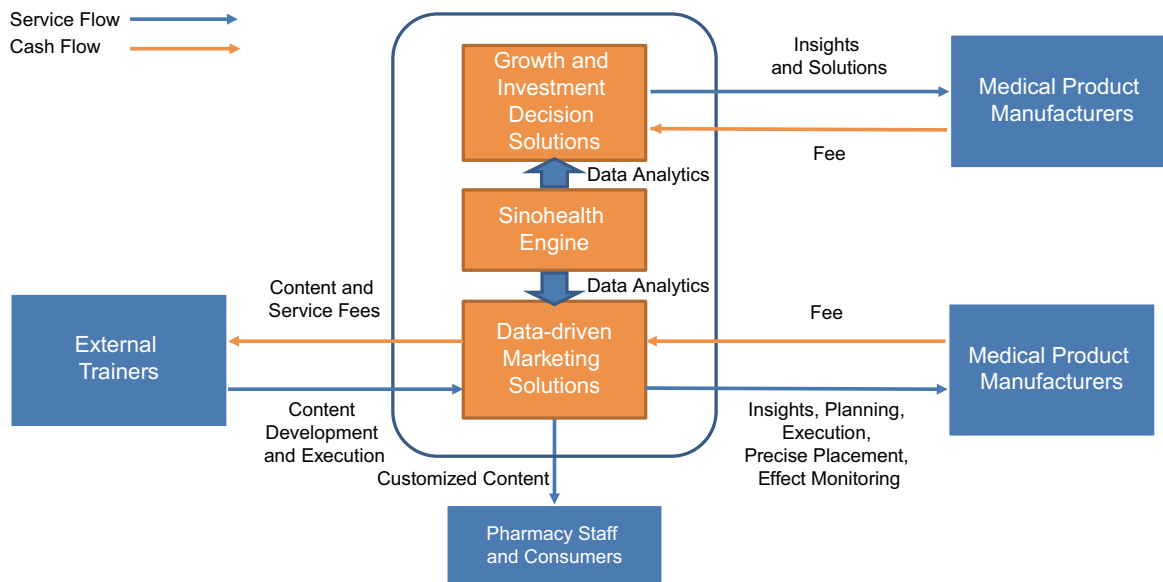
Our Data Insight Solutions primarily target medical product manufacturers, enabling them to form decisions in an effective manner, manage internal resources and achieve their business goals. Based on our big data, understanding and experience in the healthcare industry, our Data Insight Solutions are tailor-made solutions designed to cater for clients’ needs for specific combination of data analytics, application scenarios, objectives and preferences. For the years ended 31 December 2019, 2020 and 2021, we had 220, 227 and 257 corporate clients for our Data Insight Solutions, respectively. Our Data Insight Solutions clients are mainly international and domestic manufacturers of medical products such as prescription and OTC drugs, medical equipment and Chinese medicine. Due to the nature of data insight solutions, once our clients benefit from the value of our Data Insight Solutions that help them expand their business scale, they are inclined to become our long-term clients. For the years ended 31 December 2020 and 2021, approximately 50.0% and 56.8% of our corporate clients of Data Insight Solutions were repeat clients.

Our Data Insight Solutions are supported by our data processing and analytics capabilities which are built upon our data models such as our standardization cleansing model, sales estimation model and brand sales model. We primarily apply our standardization cleansing model and sales estimation model for data processing and our brand sales model for data analytics. Specifically, our standardization cleansing model is based on deep learning programs and is used for data cleansing and standardizing of the raw data collected from our partnering pharmacies. Our sales estimation model (or hierarchical weighted amplification model) is designed to serve as a statistical inference method following the data cleansing, which enables us to infer the complete market data from our sample data. Our brand sales model is an analytical model that is used to conduct analysis of the market performance of particular medical brands and/or products, such as product market share analysis, consumer portrait analysis, market segmentation analysis and competition analysis. Through the data analytics based on our brand sales model, we can identify the factors that affect the market pattern and performance of particular medical brands and/or products. We utilize our data visualization system to integrate and present the outputs of our data analytics. Our programs and models are contained in our Sinohealth Engine based on cloud native architecture. See “—Our Technologies and Big Data” in this section.

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As such, our data processing technologies enable us to retrieve data that is aligned with the particular application scenarios, while our data analytics technologies ensure that our data analytics are specific and are closely tied to the business goals of our clients. Based on our data processing and analytics capabilities, our Data Insight Solutions feature detailed and actionable data insights, which are well received in the healthcare industry by top medical product manufacturers.

The following diagram illustrates the business model of our Data Insights Solutions segment:



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

	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%
Growth and Investment Decision Solutions	50,549	54.5%	66,613	67.7%	115,090	71.3%
Data-driven Marketing Solutions	42,251	45.5%	31,805	32.3%	46,277	28.7%
Total	92,800	100.0%	98,418	100.0%	161,367	100.0%

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The increase in our revenue generated from our Growth and Investment Decision Solutions in 2020 was partially offset by a decrease in our revenue generated from our Data-driven Marketing Solutions due to (i) our strategic focus on digital marketing format and gradual reduction in our use of print advertising, which we had largely phased out by 2019; and (ii) a decrease in demand for our offline marketing campaigns and training services due to the spread of COVID-19 in China during 2020. For the year ended 31 December 2021, the significant increase in revenue generated from our Growth and Investment Decision Solutions was mainly due to increases in the number of clients and their demand for tailor-made business growth or investment decision solutions, which was driven by the recovery of the market from COVID-19 pandemic and our sustained efforts in developing solutions and enhancing data and technology capabilities; while the increase in revenue generated from our Data-driven Marketing Solutions was due to (i) the recovery of demand for our offline marketing campaigns after effects from the COVID-19 pandemic subsided in late 2020 and 2021; and (ii) there was an increase in sales generated from our expanded precision marketing solutions integrated with data-driven marketing consultation, campaign coordination and advertising services for promotion of our clients' products on digital media and other advertising channels. See "Financial Information—Description of Major Components of Our Results of Operations—Revenue—Data Insight Solutions" in this document.

Growth and Investment Decision Solutions

Our Growth and Investment Decision Solutions refer to the tailor-made business growth or investment decision solutions we offer to our clients based on our data insights. We deliver our Growth and Investment Solutions in the form of one-time or periodic customized reports. The content of our reports varies, depending on the demand of our clients. Generally, our reports covers (i) market retail data on particular medical brands and/or products; (ii) data analytics on given scenarios, such as consumer portrait and segmentation, product retail distribution rate, pattern of competition, market share and the corresponding fluctuation of particular medical brands and/or products; and (iii) strategic suggestions for our clients to implement to drive better business or investment results based on our data analytics. For the years ended 31 December 2019, 2020 and 2021, we generated revenue from 217, 244 and 374 contracts with an average recognized amount per contract of approximately RMB233,000, RMB273,000 and RMB308,000, respectively. The increases in the number of contracts that we generated revenue and average recognized amount per contract during the Track Record Period were in line with (i) our efforts in developing insight solutions for new application scenarios; (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; and (iii) our improved data governance efficiency, which in turn attracted more corporate clients and led to our entering into more contracts of higher value with our clients. As at 30 April 2022, we had 96 backlog contracts that had been entered into but not completed with a total outstanding contract value of approximately RMB68.1 million, among which, approximately RMB62.7 million are expected to be recognized as our revenue for the year ending 31 December 2022.

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Our Growth and Investment Decision Solutions help medical product manufacturers with identifying market opportunities, market analyses, competition landscape and strategies, branding and product mix management, distribution channel and value chain management and consumer management on the basis of our data insights, marketing theories and experience, with the objective of driving business growth and gaining market shares. Meanwhile, we have recently expanded our Growth and Investment Decision Solutions towards market at DTP pharmacies and e-commerce market in response to the trend of accelerated new drug launches and the development of e-commerce. Compared with the traditional pharmacies, the DTP pharmacies mainly sell prescription medicine including new drugs which require stricter storage standard instead of over-the-counter medicine to patients. Our data insights of the market at DTP pharmacies keep in step with the latest policies on new drugs and pharmaceutical supply chain laid out by the government. For example, the governments promulgated the "dual channel" (雙通道) policy in 2021, which stipulates the inclusion of certain new drugs in the national medical insurance scheme. Such new policy enables the new drugs supplied by the DTP pharmacies to be covered by the national medical insurance scheme, which in turn, improves the circulation of new drugs in the market at DTP pharmacies. In solutions for market at DTP pharmacies, we provide strategies on market access to our clients through an interpretation on the changes in performance of retail channels, market trend and competition pattern during the period between the policy promulgation to the policy implementation. Our data insights of e-commerce market typically cover data analytics in relation to distribution of medical products through online sales channels, based on which, we provide our clients with an understanding on the sales performance, product retail distribution rate, unit price, market pattern and trend for the medical products distributed on e-commerce platforms and strategies relating to the exploration on the distribution channels in e-commerce market. In addition, we also provide solutions for medical product manufacturers that offer innovative drugs or treatments for patients with chronic conditions or long-term ailments. We also provide investment institutions in the healthcare industry with actionable data insights and investment solutions to support investment decision-making. Our investment solutions, among others, (i) for start-up phase businesses, help investment institutions and medical product manufacturers conduct analysis of healthcare industry participants, sales forecasts for prospective business segments and market forecast; and (ii) for expansionary phase businesses, help medical product manufacturers with investor relations, business strategy planning and new product market research through our data-driven analysis of growth drivers, competition, investment value, sales channels, marketing and prospects.

A case study of Growth and Investment Decision Solutions in drugs for throat relief

- **Background.** Brand C is one of the leading brands in the category of throat discomfort that we have been serving for a long time. Through our data insights, we found that the market for medicines used to treat throat symptoms has continued to expand over the past three years. Brand A and Brand B rapidly increased their market shares with sales of the oral liquid throat relief products and squeezed out Brand C's granules and tablets for the same treatment. We provided the following market diagnostics and solutions to increase market share for Brand C through big data analysis.
- **Solutions sought.** Why Brand C's market shares decreased and how Brand C can improve.

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- ***Data analytics and recommendations.***
 - Our data analytics showed that the chain pharmacies' inventory of Brand C's granules and tablets recorded a low turnover rate, resulting in a shrinking market share. As a result, we suggested that Brand C provide wholesale price incentives to pharmacies to promote sales.
 - We also noticed that an increasing number of pharmaceutical manufacturers began to supply oral liquid throat relief products to mostly of younger consumers. Therefore, we recommended to Brand C to launch oral liquid products while enhancing sales and marketing of its existing product offerings through new media and social platforms more influential to younger consumers, in order to increase sales volume.
- ***Action and improvement.***
 - Based on our recommendation, Brand C adjusted the packaging wholesale prices of its granules and tablets.
 - Brand C initiated cooperation with a throat syrup manufacturer and promoted its throat syrup. Further, Brand C sponsored a reality TV show and promoted its brand among younger consumers which helped Brand C quickly gain market shares.

Data-driven Marketing Solutions

Our Data-driven Marketing Solutions offer customized marketing consultation and campaigns coordination, media content production and training services. Our Data-driven Marketing Solutions mainly aim to help medical product manufacturers with promotion of their products and to connect with the potential retail pharmacies and end-consumers using our Media Channels and other forms of digital communication as well as offline campaigns. We coordinate online marketing campaigns including but not limited to video advertising, live streaming, social media publicity, for our clients to effectively reach the target audience, while we engage online channels such as our Media Channels to publicize offline marketing campaigns and turn online interaction into offline actions. For the years ended 31 December 2019, 2020 and 2021, we generated revenue from 275, 244 and 228 contracts with an average recognized amount per contract of approximately RMB154,000, RMB130,000 and RMB203,000, respectively. The fluctuation in the number of contracts and the average revenue recognized per contract for the year ended 31 December 2021 was mainly because we had been strategically focusing on projects of higher value and continuing the reduction of our print advertising agency services and placement. As at 30 April 2022, we had 90 backlog contracts that had been entered into but not completed with a total outstanding contract value of approximately RMB32.3 million, among which, approximately RMB24.2 million which are expected to be recognized as our revenue for the year ending 31 December 2022.

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Our Data-driven Marketing Solutions are supported by our data analytics, which is one of our core values to our clients. With our data insights, we are able to (i) gain a better clarity about the potential of medicine distribution channel; (ii) obtain comprehensive knowledge about the market value and pattern of our clients' products and brands; and (iii) understand the shortcomings of our clients' medicine distribution, so as to identify the approach for promotion that is most suitable for each client.

- **Precision marketing.** Our precision marketing refers to our customized marketing consultation and marketing campaigns coordination, mainly covering physical and online events launched through pharmacy stores, as well as advertising through digital media and other advertising channels, during the Track Record Period. Before launching marketing campaigns, we utilize our big data processing and analytics capability to (i) analyze the demand, preference and behavior of target end-consumers and categorize them into groups by target genders, ages, regions and interests; (ii) identify the target pharmacies and a specialty group of their stores based on the profile of their historical in-store consumers, or the target digital media or other advertising channels based on the profile of their audience; and (iii) analyze the historical data showing the effectiveness of our clients' previous marketing campaigns. Such analyses help our clients to identify more suitable marketing channels and formulate more effective marketing plans for our clients to achieve their ultimate goal of increasing sales and market share. For the coordination of physical and online events launched through pharmacy stores, we, among other things, assist our clients in liaising with the target pharmacies, briefing them on the relevant beneficial effect based on our analysis of the market potential and competitiveness of our clients' products. We also engage online platforms of the pharmacies including the online official account connected with the SIC to publicize these marketing campaigns to the end-consumers. For the provision of our advertising services, we, among other things, liaise with and engage third party advertising agencies or platforms to place advertisements or commercials through the designated digital media or other advertising channels.
- **Media content.** Our comprehensive marketing capability includes our production of mixed media content such as publicity materials, training videos and advertising commercials, covering texts, images and videos. We design and prepare media content for our clients to release through our Media Channels or other third party platforms targeting retail pharmacies or end-consumers. In promotion of our clients' products to retail pharmacies, our media content may include an interpretation of the market potential of our clients' products, which are produced based on our big data and data analytics on the market and competition pattern. We carefully design the media content, in particular, the advertising elements, in terms of content and style pursuant to the relevant laws and regulations in the PRC. All of the information about the product contained in the advertisements are provided by our clients, based on which, we design and prepare the media content. We believe our media content capability complements our precision marketing capability to offer our clients with full-spectrum marketing solutions.

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- **Training.** We arrange on-demand onsite training and online training courses for medical product manufacturers to educate in-store staff of pharmacies on their products' characteristics and the corresponding sales strategies so as to enhance the sales and marketing skills of the in-store pharmacy staff in selling such products, by leveraging on our understanding of the sales scenarios in retail pharmacy stores and the demand of the in-store staff. We use our big data analytics to assist in determining the target pharmacy stores that satisfy the medicine distribution demand of our clients. We have three in-house full-time training specialists who are licensed pharmacist, medical practitioner and medicine degree holder, respectively. We engage part-time trainers from time to time depending on the training services requests received from our clients. Generally, our clients are responsible for arranging venues such as conference rooms in a hotel or in their headquarters, and liaising with attendees for our onsite trainings. Our onsite training is usually supplemented by our online training courses and online resources via our Media Channels through a leading online video platform in the PRC or online platform of our clients. During the Track Record Period, we recorded and published more than 500 training videos under Data-driven Marketing Solutions, mainly covering healthcare and medicine education, sales and marketing skills. As we conduct the online trainings either via our Media Channels through a leading online video platform in the PRC or via online platform of our clients, we are not required to hold Radio and Television Program Production and Operation Permit (廣播電視節目製作經營許可證), ICP License or IDC License for such trainings.

A case study of Data-driven Marketing Solutions for a pharmaceutical company

- **Background.** Pharmaceutical company X is an established brand in China who manufactures a comprehensive range of drugs. Drugs for varicose veins and chronic venous insufficiency dropped in sales since the end of 2018. We utilized our data analytics to identify sales trends and regions in demand, and provided the following marketing solutions to increase sales in drugs for varicose veins and chronic venous insufficiency.
- **Solutions sought.** Formulate marketing strategies and marketing contents for pharmaceutical company X and its retail pharmacy clients to expand demographic segment of drugs for varicose veins and chronic venous insufficiency.
- **Data analytics.**
 - o Our data analytics showed there were high demands for drugs for varicose veins and chronic venous insufficiency in various regions including Jiangsu, Henan, and Shandong. We identified 211 retail pharmacies who did not offer drugs for varicose veins and chronic venous inefficiency.
 - o We also noticed there were significant potentials in the working group aged 20-50, who may suffer from veins disorders in the legs or poor circulation in the feet, as a result of sitting or standing in the workplace for a long period of time.

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- **Marketing solution offered.**
 - o We introduced pharmaceutical company X's drugs for varicose veins and chronic venous insufficiency to those 211 retail pharmacy clients who did not previously offer this product category.
 - o We arranged trainings whereby staff of the retail pharmacies were educated by pharmaceutical company X to boost their product knowledge, general knowledge in vascular health and marketing skills.
 - o Media contents were produced and displayed within 3 kilometers of the retail pharmacies. Articles in relation to varicose veins disease were also published on the online media platform.
 - o We launched three marketing campaigns to promote awareness in vascular diseases, including workplace awareness month for younger working generation, women's health awareness month and teacher's health awareness month. We invited specialists to host online streaming sessions to discuss common cause, remedies and prevention of varicose veins, organized health consultation sessions and organized physio sessions to end-consumers in selected pharmacy stores. The marketing events were also broadcasted on the online media platforms.

Operation Process

Our Data Insight Solutions are generally customized in addition to certain basic features of common interest. Major steps involved in the provision of our Data Insight Solutions include the following:

- **Initial inquiries.** Upon the receipt of requests from potential clients, we liaise with the potential client to ascertain and understand their requirements.
- **Internal discussion and confirmation of preliminary proposal.** After considering the needs of our clients, we discuss internally regarding our data analytics and our solution proposals.
- **Response to clients.** We provide potential clients with preliminary proposals with further discussion on improvements and adjustments.
- **Engagement contracts signed.** Upon acceptance of our preliminary proposals and fees by potential clients, we prepare our contracts for signing.
- **Delivery of solutions and follow-up actions.** We deliver our one-time or recurring reports of data insights or marketing solutions. We may also follow up with clients on their satisfaction with our Data Insight Solutions and any further potential services which they may request.

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Pricing and Discount

We generally offer project-based and term-based pricing arrangements to our Data Insight Solutions clients. We price our Data Insight Solutions based on a number of factors, which include the scope of our services, the scale of our data insights covered (e.g., geographical scales, market segments and channel of distributions), the cost associated with the requested services, the value of our Data Insight Solutions to our clients and the contractual period. As our Data Insight Solutions are mostly customized, our fees charged to our clients vary over a wide range.

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 our scope of work and complexity. For instance, a data insight report containing data analysis in terms of medicine's retail metrics (e.g., unit price, sale volume) is at the low end of our fee range, while the one containing data analysis in terms of consumer portrait and market competition that requires more in-depth extraction of a large volume of underlying data is at the high end of our fee range. During the Track Record Period, our price of each periodic report relating to medicine's retail metrics for one product category generally ranged from RMB4,500 (i.e. for monthly report covering citywide data analysis) to RMB15,000 (i.e. for yearly report covering nationwide data analysis), while our clients typically require multiple product categories or cities to be covered in the report. Similarly, the marketing solution of advertisement placement on our Media Channels is at the low end of our fee range while the coordination of a large-scale marketing campaign involving larger amount of manpower and resources is at the high end of our fee range. We typically negotiate our fees with our clients on a case-by-case basis. We may consider offering discounts to our Data Insight Solutions clients if (i) they are repeat clients; or (ii) they purchase other solutions and/or products from us.

Contracts with our clients under Growth and Investment Decision Solutions usually contain multiple deliverables (for example, including provision of monthly reports, quarterly reports and annual reports in one contract), each of which is at a standalone selling price. We recognize revenue at the point of time when the individual deliverable is delivered and accepted by the clients. Similarly, contracts under Data-driven Marketing Solutions may include the provision of multiple solutions (for example, including provision of marketing consultation, training services, advertising services and marketing campaigns in one contract), each of which is at a standalone selling price. We recognize revenue from each individual marketing solution over time, based on the progress towards complete satisfaction of the services as specified in the contract. See "Financial Information—Significant Accounting Policies—Revenue Recognition—Revenue from contracts with clients—(a) Data Insight Solutions" in this document.

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Key terms of arrangements with our Data Insight Solutions clients

Our Data Insight Solutions may be offered as a stand-alone option or through a bundled package together with our other solutions and products. Therefore, we manage our contracts by project or by client, rather than merely by a single offering. A summary of the key terms of our arrangements with our clients for Data Insight Solutions are set forth below:

- **Scope of services.** We specify the scope of data insights or services in details, such as medicine categories (e.g., oral analgesics, anti-inflammatories, hypolipidemic agents and anti-hypertensive drugs), number of targeted markets, geographical locations, sales performance indicators (e.g., sales revenue, volume and market share), brands, medical product manufacturers, competitive landscape and market drivers. The actual scope services varies depending on the specific solutions required by our clients.
- **Payment and credit term.** Payments of our fees are typically made by installment. We may require prepayments from clients upon signing our contracts. We may amend and/or adjust our Data Insight Solutions within a prescribed period of time in the event that our deliverables are not in conformity with contractual specifications. We speak with clients to resolve any disagreements during the course of our performing the contracts. We usually grant credit terms to our clients. See “—Our Clients” in this section.
- **Intellectual property rights.** Unless otherwise agreed and prescribed under the contracts, we own the intellectual property rights of our Data Insight Solutions and our clients have the right to use our data insights and recommended solutions.
- **Representations and warranties.** We may make representations and warranties in our contracts if required by certain clients. Such representations and warranties generally include (i) our Data Insight Solutions are not subject to title defects, restrictions or claims of infringements, either of intellectual property rights, trade secrets or privacy, of any third-party; (ii) our data insights are true, complete and accurate. For our measures in data quality control, see “—Our Technologies and Big Data—Big Data—Data Governance” in this section; (iii) our performance of the contracts will not be found in violation of the relevant PRC laws and regulations or in breach of our agreements with any third-party; (iv) we are required to comply with relevant anti-corruption laws and regulations as well as codes of conduct; and (v) our use of clients’ company names, brand names, trademarks and logos is limited to the purposes of the contracts only. Pursuant to the relevant contracts, we are liable for breach of these representations and warranties. Our Directors confirm that we had not breached any of the representations and warranties under our contracts during the Track Record Period and up to the Latest Practicable Date.
- **Confidentiality.** Both we and our clients are bound by confidentiality obligations not to disclose confidential information obtained during the course of performing contracts. Such confidential information may include data, graphics, raw materials, the existence of our contracts and the contract terms thereunder and any other information that is confidential in nature.

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- **Term and termination.** The terms of contracts will vary depending on the projects and/or the term we are engaged to monitor the market and provide the relevant data insights. We enter into project-based contracts and term-based contracts for our Growth and Investments Decision Solutions, while we generally enter into project-based contracts for our Data-driven Marketing Solutions. We offer one-time solutions pursuant to the project-based contracts and offer periodic solutions pursuant to the term-based contracts. During the Track Record Period, our project-based contracts generally had a term of approximately two days to one year, while our term-based contracts generally lasted for approximately one year to three years. Our contracts with Data Insight Solutions clients may be subject to early termination under the following circumstances: (i) by mutual agreement; (ii) by our clients upon serving a prior written notice; (iii) by our clients in the event of our breach of contracts or failure to perform that is not remedied within a prescribed time-period; (iv) in the event of winding up, liquidation, bankruptcy and insolvency of either party; and (v) by our clients in the event of our breaching the warranties and representations.

Data-driven Publications and Events

We provide a combination of publications, precision connections and exhibitions through our Industry Events. Our Industry Events aim at promoting our own solutions and products and assisting our clients, mainly medical product manufacturers, in promoting their brand value and products and connecting with other industry participants. We also provide our clients with data insights on the latest market pattern, emerging trends and potential business opportunities through the delivery of speeches, reports and presentations during the Industry Events. For the years ended 31 December 2019, 2020 and 2021, we had hosted 36, 86 and 58 events respectively for our Data-driven Publications and Events. For the same periods, we generated revenue from 412, 487 and 746 contracts with an average recognized amount per contract of approximately RMB195,000, RMB199,000 and RMB180,000, respectively. The decrease in the average revenue recognized per contract for the year ended 31 December 2021 was due to our entering of more contracts of relatively lower value (i.e. purchase of event tickets) of our events for the year ended 31 December 2021.

Our Data-driven Publications and Events are an integral part of our business operation. Our Data-driven Publications and Events clients are mainly medical product manufacturers, pharmacies and investment institutions. For the years ended 31 December 2019, 2020 and 2021, we had 311, 328 and 429 corporate clients for our Data-driven Publications and Events, respectively. Our Industry Events are our channels to deliver our Data-driven Publications and Events, through which, we mainly generate revenue by offering sponsorship opportunities, promotional campaigns and road show coordination and exhibition booth arrangement through the provision of our publications, precision connection activities and exhibitions. For the years ended 31 December 2019, 2020 and 2021, revenue generated from our Data-driven Publications and Events was approximately RMB80.5 million, RMB96.7 million and RMB134.6 million, accounting for approximately 45.3%, 47.8% and 41.5% of our total revenue for the same periods, respectively.

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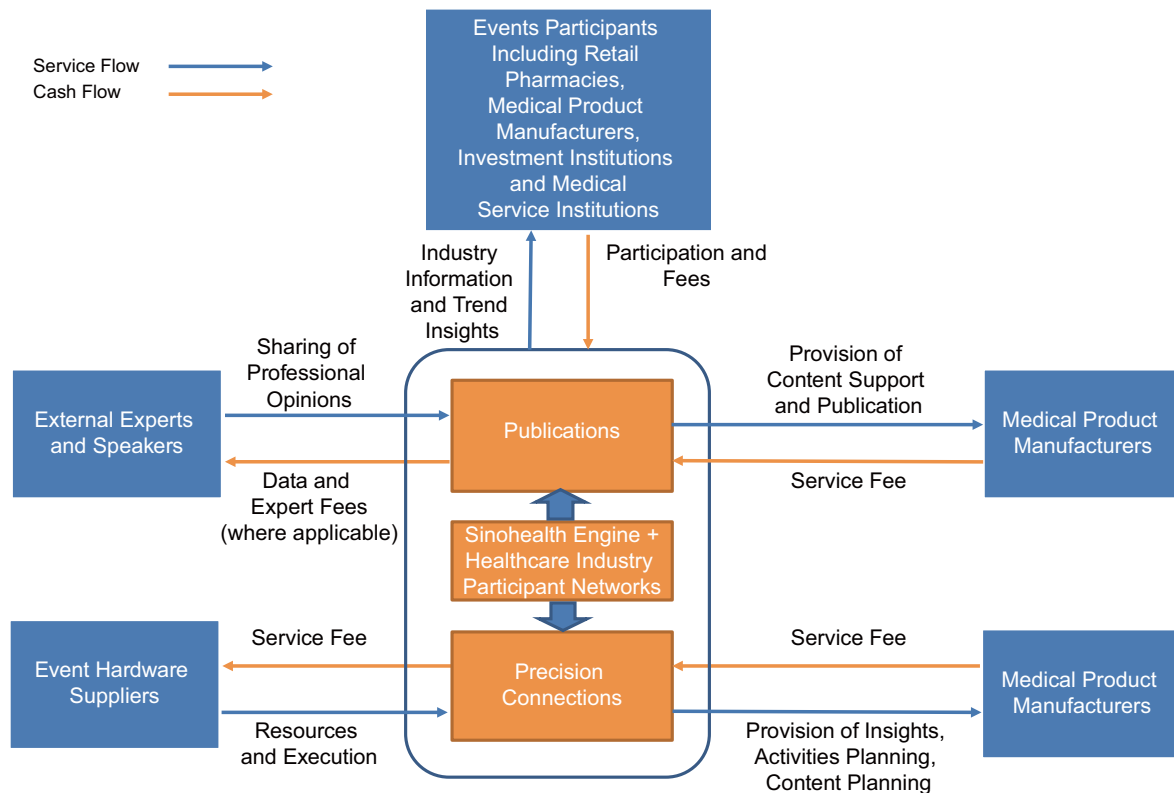
We operate Industry Events mainly for the purpose of offering clients with an integrated solutions of healthcare industry specific data insights as well as connection and marketing opportunities, including:

- **Publications.** Our publications delivered during each Industry Event mainly refer to (i) speeches delivered by our internal and external speakers; (ii) the reports with data insights tailored to the theme of our events; and (iii) the customized reports and presentation to be delivered by our clients to their potential business partners and investors in the promotion of their brands. Our reports for each event are prepared based on our understandings of market demand upon our self-initiated research and data analytics. Examples of our data insight reports published through our events include (i) "Healthcare Industry Policy Interpretation and Future Trend Research"; (ii) "China Medical and Pharmaceutical Industry Omni-channel Market Data Publication"; (iii) "Report on Healthcare Big Data and AI"; (iv) "Report on Development of Novel Drugs in China"; and (v) "China Retail Industry Real-world Research". Speeches given by our internal speakers contain healthcare market information gained from our data analytics such as the market trend under the development of technologies, investment opportunities driven by the market and the effectiveness of digital solutions on retail performance, while our customized reports and presentation prepared for our clients' brand promotion are based on our data analytics on our clients' competitiveness and market potential.
- **Precision connections.** Our precision connections refer to (i) brand promotion campaigns and roadshows we coordinate for our clients in the form of forum, summit, panel discussion or banquets, which are targeted to their potential business partners and investors, respectively; and (ii) on-demand one-on-one business meetings we organize for our event attendees who mutually have potential business cooperation willingness. By leveraging our data analytics based on the participants' profile labels through Healthcare Link as described below, we provide our clients with unique opportunities to network with healthcare industry participants who match their business demand during the precision connection activities.
- **Exhibition.** Our events offer exhibitions such as exhibition booths, and exhibition boards/banners which allow brand promotion of our clients. There are a number of booths and billboards in our event venue to allow medical product manufacturers to attract pharmacies and facilitate transactions through product display and face-to-face communication. In 2021, there were approximately 93, 117 and 24 exhibitors, including medical product manufacturers, retail pharmacies or other industry participants, for our Industry Prospect Event, Merchandise Trading Event and Retail Sales Event, respectively.

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Technologies applied to process our big data and conduct data analytics of our Data-driven Publications and Events are similar to those of our Data Insight Solutions. See “—Our Business Segments—Data Insight Solutions” in this section. We have also developed Healthcare Link, an event management system, to facilitate our event management. Healthcare Link consists of (i) a mini-program for public to register for our events and to check the introduction, agenda and guide of each event, as well as to notify our attendees of events’ schedule and arrangement; and (ii) a corresponding back-end control panel for us to review and approve the attendees’ registration, to manage our attendees and the content published through the mini-program, and to monitor the data generated from it. Through our Healthcare Link, we are able to keep track of our attendees’ registration status and select the attendees for each of our precision connection activities based on the analytics of their profile (i.e. the company background, position and event attendance frequency), so as to precisely match the purpose of each event with the background of target attendees. Therefore, the data from Healthcare Link is an important source for our precision connection services during the course of operation of our Industry Events.

The following diagram illustrates the business model of our Data-driven Publications and Events segment:



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The pictures below demonstrate our publication, precision connection activity and exhibition, respectively.



Exhibition



Precision connection activity



Publication

Our Industry Events mainly consist of the Industry Prospect Events, Merchandise Trading Events and Retail Sales Events. See “—Healthcare Industry Participant Networks—Industry Events” in this section. We primarily rely on our data insights to determine themes of our Industry Events. Through our data analytics, we examine the market situation, identify the demand of target event attendees and formulate themes that would resonate with the target attendees. The following table summarizes the key information of our primary Industry Events for the years indicated.

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Event	Duration	Year	Title	Theme	Target attendees
Industry Prospect Event	Five days	2019	Reborn and Future (浴火重生 — 證道產業未來)	The transition of medical product manufacturers in response to falling drug prices resulted from centralized procurement of drugs by the state	medical product manufacturers, major retail pharmacies, medical service institutions, investment institutions,
		2020	Sun chaser — Persistence (逐日毅行者)	Measures to be taken by medical product manufacturers to address slow annual sales growth	insurance companies and other industry participants
		2021	Efficiency revolution — to build a full and balanced new health industry (效率革命 — 締造一個充分且均衡的新健康產業)	Establishing a fair healthcare industry by enhancing drug coverage and affordability following the healthcare reform	
Merchandise Trading Event . . .	Five days	2019	Sharing Survival — Soaring of county and regional markets (共享式生存 • 縣城狂瀾)	Acquiring and sharing resources among regional and county-level pharmacies	medical product manufacturers, regional and local retail
		2020	Optimize supply chain, enable new supply (優化供業鏈，實現新供給)	Optimization of medical products supply chain and structure	pharmacies, logistic companies and other supply chain participants
		2021	Commodity restructuring to revitalize market conditions (商品重構，激活市場下況)	Catering needs of the regional and local markets from a product perspective	
Retail Sales Event . . .	Three days	2019	Bright Sword Value Mobility — Break away from the market nightmare of decline in footfall (亮劍價值動銷 — 掙脫客流下滑的夢魘) Grab The Opportunities 2020. Those Who Gather Consumers Win! — Win the battle of urban pharmacy consumer flow management (搶灘2020 • 聚客者勝！— 贏戰城市藥店客流管理)	Designing dynamic sales activities based on actual consumer needs	retail pharmacies, marketers, major online platforms for healthcare industry, leading digital marketing providers and other participants engaging in sales and marketing
		2020	Retain clients (抓住顧客)	Client retention strategies	
		2021	Competing for clients (爭奪顧客)	Client development strategies	

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Our Attendee Network

We have recorded a large number of attendees to our Industry Events. Our proven track record has attracted existing and new clients as well as other healthcare industry participants to regularly participate in our Industry Events. Our event attendees usually consist of (i) employees, business partners and guests of our clients; (ii) industry experts and speakers invited by us; and (iii) media representatives invited by us. The following table sets forth the number of core attendees participating in our Industry Prospect Event, Merchandise Trading Event and Retail Sales Event, excluding those who opt not to officially register their check-in with us.

Year	Approximate number of core attendees of		
	Industry Prospect Event	Merchandise Trading Event	Retail Sales Event
2019	2,400	1,900	1,400
2020	2,500	1,700	800 ⁽²⁾
2021	3,100	3,500 ⁽¹⁾	1,100 ⁽³⁾

Notes:

- (1) The number of our core attendees participating in Merchandise Trading Event increased significantly in 2021 due to our strategic adjustment on the event positioning to engage more small scale retail pharmacies as attendees. See "—Healthcare Industry Participant Networks—Industry Events" in this section.
- (2) The number of our core attendees participating in our Retail Sales Event decreased because we canceled a semi-annual Retail Sales Event which was originally scheduled to be held in the first half of 2020 due to the outbreak of COVID-19.
- (3) Our Retail Sales Event was usually held twice a year before 2021 and it has been scheduled to be held annually since 2021. It is mainly due to our strategies of streamlining the resources and enhancing the event scale. See "—Healthcare Industry Participant Networks—Industry Events" in this section.

Through our successful events continuously and consistently hosted for more than 13 years, we have established long-term and stable relationships with market stakeholders most of whom are also our business participants. As at the Latest Practicable Date, our extensive network covers medical product manufacturers, pharmacies, medical service institutions, medical practitioners, insurance companies, government agencies and academic institutions. Leveraging on our data insights, marketing capability and reputation, we believe that our well-established network will continue to grow. Combined with our high quality and comprehensive offerings, our attendee network provides us with strong competitiveness in the industry.

Speakers

Our speakers consist of (i) our internal speakers; (ii) external speakers we mainly engage through third party agents with fees; (iii) the representatives of our clients that pay us for the airtime; and (iv) other external speakers we engaged without payment of any fees. For the years ended 31 December 2019, 2020 and 2021, we engaged a total of 514, 546 and 542 speakers for our Industry Prospect Event, Merchandise Trading Event and Retail Sales Event, among which, 471, 505 and 496 were external speakers, respectively.

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The following table sets forth the details of the external speakers for our respective Industry Events during the Track Record Period.

	The number of speakers			Background of the speakers	Purpose of speeches
	For the year ended 31 December				
	2019	2020	2021		
External speakers we mainly engaged through third party agents with fees					
Industry Prospect Event	4	1	5	People who had high recognition and expertise in economy trend analysis, healthcare, fiscal policies or marketing including former senior management of well-known multinational corporations, famous news or economics commentator, experienced marketing consultants, and experts working with top-tier academic institutions	Knowledge and experience sharing
Merchandise Trading Event	1	1	2		
Retail Sales Event	2	0	4		
Speakers who are representatives of our clients that paid us for the airtime					
Industry Prospect Event	35	48	60	Senior management or executives of our clients engaged in medical product manufacture, biotechnology or media	Primarily for promotion and enhancement of their brand and/or product awareness
Merchandise Trading Event	23	21	37		
Retail Sales Event	13	12	15		

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	The number of speakers			Background of the speakers	Purpose of speeches
	For the year ended 31 December				
	2019	2020	2021		
Other external speakers we engaged without any fees					
Industry Prospect Event	241	274	219	Senior management of retail pharmacies, executives of investment institutions, mainstream media platforms, consulting firms or technology companies, experts from academic institutions or government agencies, and medical practitioners, who had expertise in marketing, AI and data application in healthcare, policy implementation, medical services or capital markets	Primarily for knowledge and experience sharing as well as establishment of connection with event attendees
Merchandise Trading Event	86	78	69		
Retail Sales Event	66	70	85		

We mainly entered into agreements with third party agents for the arrangement of paid speakers who are well-known in certain fields. Pursuant to the agreements, the third party agents were responsible for liaising with and engaging the designated speakers to deliver requested speeches during the events while we are responsible for the fees. During the Track Record Period, our fees paid for the engagement of each external speaker ranged from approximately RMB6,000 to RMB275,000, with an average amount of approximately RMB148,000, RMB44,000 and RMB29,000 for our Industry Prospect Event, Merchandise Trading Event and Retail Sales Event, respectively, depending on their title, reputation, recognition, and the nature and scale of our events. Paid speakers for our Industry Prospect Event are mainly professionals of nationwide reputation and influence in the field of economics, which cost us a relatively higher average fee for each of these speakers than that of Merchandise Trading Event and Retail Sales Event during the Track Record Period.

Operation Process

We are responsible for planning, organizing and implementing our events. We are also responsible for the overall decorative design of the event venue and exhibition. The steps of our event planning, organizing and implementation are summarized below:

- **Theme selection.** Based on our data insights on the industry development, we select event themes and topics which address market interest and then prepare our event proposals.

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- **Event invitations and marketing.** We send our event invitations to potential clients, industry experts and media representatives based on our event proposals. We also market our events via our website, our proprietary Media Channels and through our other direct marketing efforts.
- **Engagement contract signed.** Upon our potential clients' acceptance of our event invitations and confirmation of elective sponsorship options as well as other services such as exhibition booth arrangement, promotion campaign and roadshow coordination, we prepare contracts for signing.
- **Venue selection and setting up.** We usually book event venues, transportations and catering through direct orders or through third-party agencies. We may also engage third-party professional event services providers and outsource setting up to them.
- **Engaging speakers.** Based on the themes, we confirm and invite our desired external speakers to our events. We select our speakers based on their engagement in the industry and recognition in the market. We normally invite speakers who work with well-known enterprises or national academic institutions.
- **Confirmation of agenda and notifications to participants.** Prior to the commencement of events, we confirm the agenda and notify all participants.
- **Onsite implementation.** We assign employees to oversee the entire event onsite implementation and to coordinate with clients, speakers and other attendees.

Fee Model

We charge our Data-driven Publications and Events clients a lump sum contract fee which is determined with reference to (i) services items; (ii) the cost associated with the requested services. See "Financial Information—Description of Major Components of Our Results of Operations—Cost of Sales" in this document; and (iii) our historical price range and overall market conditions. Since we offer a full suite of services items to our clients for selection including but not limited to sponsorship, precision connection coordination, exhibition booth arrangement and admission tickets, our fee charged to our clients vary in a wide range. In particular, we typically offer the services at a package price generally ranged from approximately RMB200,000 to RMB5,000,000, taking into account the scale, influence and length of airtime as well as the size, facility and the location of the exhibition booth. We offer separate exhibition booth arrangement at a fee generally ranged from approximately RMB100,000 to RMB1,000,000. We also, to a lesser extent, offer event ticket package with a fee ranged from approximately RMB5,000 to RMB20,000 per person, depending on the nature of the events. Our event ticket package generally includes the access to the event, a set of event booklets and our data insight report tailored to the event, as well as standard meals and accommodation for the event. During the Track Record Period, our fees charged for Data-driven Publications and Events generally ranged from a few thousands to several millions RMB per contract depending on our clients' selection of the services.

BUSINESS

The following table sets forth the respective revenue attributable to our Group by type of our offerings for Data-driven Publications and Events during the Track Record Period.

	For the year ended 31 December								
	2019			2020			2021		
	Revenue	Percentage	Average revenue recognized per contract	Revenue	Percentage	Average revenue recognized per contract	Revenue	Percentage	Average revenue recognized per contract
	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>
Purchase of our services at a package price ⁽¹⁾ . . .	48,536	60.3	500	64,212	66.4	526	90,654	67.3	648
Separate purchase of exhibition booth arrangement	27,486	34.1	184	27,948	28.9	171	38,076	28.3	173
Separate purchase of our event tickets ⁽²⁾⁽³⁾	4,484	5.6	20	4,518	4.7	22	5,884	4.4	15
Total	80,506	100	–	96,678	100	–	134,613	100	–

Notes:

- (1) The service items include a combination of sponsorship, precision connection coordination, exhibition booth arrangement and admission tickets for selection.
- (2) The event tickets mainly refer to our event ticket packages, and to a lesser extent, include passes for accessing certain activities during the events.
- (3) Relevant contracts may contain the purchase of multiple number of event ticket packages or activity passes.

Contracts with our clients under Data-driven Publications and Events generally contain multiple services. We recognize the revenue on a straight-line basis over the time of our events. See “Financial Information—Significant Accounting Policies—Revenue Recognition—Revenue from contracts with clients—(b) Data-driven Publications and Events” in this document.

Key terms of arrangements with Data-driven Publications and Events clients

Key terms of our Data-driven Publications and Events contracts are summarized below:

- **Services item.** We specify the services items in details, such as themed banquet and other precision connection activities, exhibition booths as well as other elective services items such as sponsorship, in the contracts.
- **Payment arrangement.** The contract fee is specified as a “lump sum” fee. Payments of our fees may be made by one-off payments or installments.
- **Intellectual property rights.** Our clients own the intellectual property rights to any materials provided to us for the purpose of performing the contracts.

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- **Confidentiality.** Both we and our clients are bound by confidentiality obligations not to disclose confidential information obtained during the course of performing our contracts. Such confidential information may include data, graphics, raw materials, the contract terms and any other information that is confidential in nature.
- **Term.** During the Track Record Period, we generally entered into the contracts within six months prior to the commencement of the events.

SaaS

Leveraging on our big data, technologies and well-established presence in the healthcare industry over the years, we develop our SaaS products to provide our clients with user-friendly software embedded with functionalities such as data insights on medical products, consumer portrait, retail market and the industry, store and retail management tools, health and disease management tool and clinic management tool. For the years ended 31 December 2019, 2020 and 2021, we had 226, 283 and 432 corporate clients for our SaaS products, respectively. For the years ended 31 December 2019, 2020 and 2021, revenue generated from our SaaS was approximately RMB4.4 million, RMB7.0 million and RMB28.2 million, representing approximately 2.5%, 3.5% and 8.7% of our total revenue for the same periods, respectively. For the years ended 31 December 2019, 2020 and 2021, we generated revenue from 599, 656 and 876 contracts with an average recognized amount per contract of approximately RMB7,000, RMB11,000 and RMB32,000, respectively. The increase in the average revenue recognized per contract for the year ended 31 December 2021 was mainly because we gradually entered into contracts of higher value with our clients for Smart Decision Cloud, particularly LinkedSee, since its launch in June 2020. As at 30 April 2022, we had 163 backlog contracts that had been entered into but not completed for our SaaS products with a total outstanding contract value of approximately RMB14.1 million, among which, approximately RMB13.3 million are expected to be recognized as our revenue for the year ending 31 December 2022.

Compared with our Data Insight Solutions which are typically customized, our SaaS products are standardized and designed, developed and arranged based on our deep understanding of clients' common demands and concerns. Our SaaS products enable our clients to rapidly digitalize their business operations. Through our SaaS products, our clients have a steady and regular access to our latest and ready-to-use data insights as well as built-in functionalities that are added-in to serve different application scenarios.

By application scenarios and targeted clients, our SaaS product categories include (i) Smart Decision Cloud; (ii) Smart Retail Cloud; (iii) Smart Health Management Cloud; and (iv) Smart Medical Cloud. The development of our SaaS products relies on our big data capability and our modularized technologies contained in Sinohealth Engine. See “—Our Technologies and Big Data—Our Technologies” in this section for the application of our technologies towards each SaaS product category.

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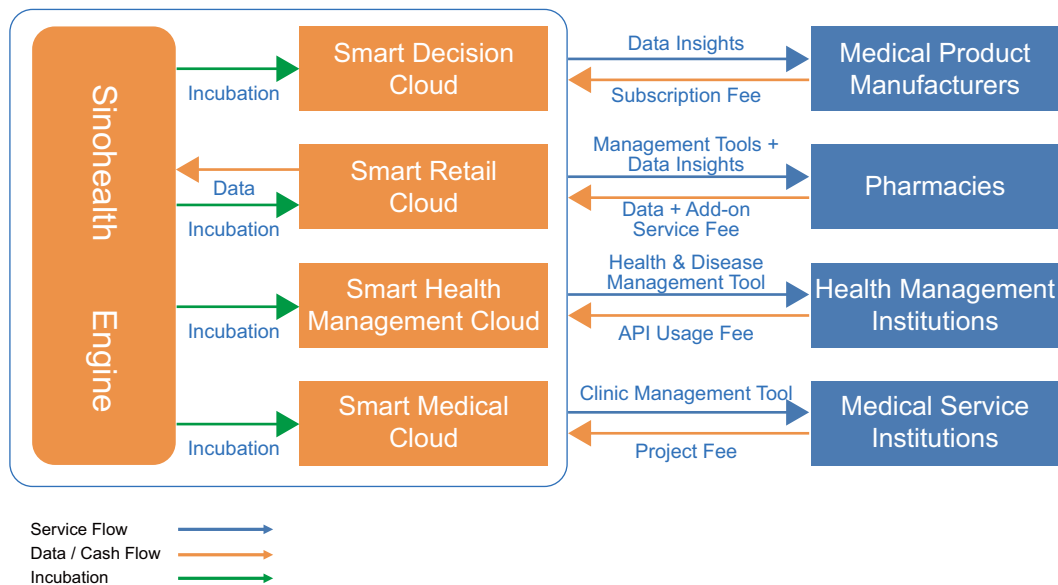
The following table sets forth the major products and main functions, application scenarios and targeted clients of each of our SaaS product categories.

SaaS	Major products and main function	Application scenario	Target client
Smart Decision Cloud	<ul style="list-style-type: none"> i. CHIS — provision of data insights mainly based on drug information analytics ii. LinkedSee — provision of data insights mainly based on consumer portrait analytics iii. Pharmacy Connect — provision of data insights mainly based on pharmacy information analytics 	<ul style="list-style-type: none"> • Drug related information search and competitive product analysis • Market information generation on the latest drug retail performance • Information search on pharmacy stores’ number, market potential, geographical location and layout 	Medical product manufacturers, medical research institutions, suppliers of raw materials of medical products
Smart Retail Cloud	<ul style="list-style-type: none"> i. SIC — store and retail management tool 	Membership management (such as membership registration tracking, member loyalty identification and purchasing behaviour monitor), store management (including pharmacy staff management and in-store sales performance and inventory assessment), data insight acquisition regarding market condition and opportunities, and pharmacy staff training with trackable progress and effectiveness	Pharmacies
Smart Health Management Cloud	<ul style="list-style-type: none"> i. AI-MDT — health and disease management tool 	Intelligent disease screening and prevention, sub-health intervention and chronic disease management with reference to the health metrics and lifestyle of individuals	Physical examination institutions and medical service institutions

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SaaS	Major products and main function	Application scenario	Target client
Smart Medical Cloud	i. Woodpecker Clinic — clinic management tool (limited to certain developed modules)	Digitalization of medical consultation and treatment processes, covering online medical appointments, out-patient consultation, hospitalization, diagnosis, medical treatments, prescription and dispensing, follow-up consultations and medical product logistics	Medical service institutions and public health agencies

The following diagram illustrates the business model of our SaaS segment:



The following table sets forth a breakdown of our revenue of our SaaS by product category for the years indicated. 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 2019, 2020 and 2021, Smart Decision Cloud contributed to 80.1%, 82.7% and 83.9% of our total revenue generated from SaaS. We began generating revenue from our Smart Medical Cloud since 2021. See “Financial Information—SaaS—Description of Major Components of our Results of Operation—Revenues” in this document.

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	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	%	RMB'000	%	RMB'000	%
Smart Decision Cloud	3,559	80.1%	5,770	82.7%	23,658	83.9%
Smart Retail Cloud	885	19.9%	1,005	14.4%	3,080	10.9%
Smart Health Management Cloud	–	–	202	2.9%	371	1.3%
Smart Medical Cloud	–	–	–	–	1,077	3.9%
Total	4,444	100.0%	6,977	100.0%	28,186	100.0%

Smart Decision Cloud

As at the Latest Practicable Date, our Smart Decision Cloud products mainly included (i) CHIS; (ii) LinkedSee; and (iii) Pharmacy Connect. These products serve as industry data directory and analytics tool with user-friendly dashboards and provide the users with efficient access to industry and market data as well as the corresponding analytics outputs, helping the users make informed decisions. In 2015, we launched CHIS, our first SaaS, which was followed by our further initiatives of launching Pharmacy Connect and LinkedSee in 2020.

Main Products

CHIS

CHIS mainly provides data insights based on drug information analytics. It supports medical product manufacturers, medical research institutions, suppliers of medicine raw materials and other healthcare industry participants to conduct drug related information search and competitive product analysis. Through CHIS, users can look up specification information or evaluate market potential of a particular drug or drug category so as to formulate decision in relation to medicine research, development or distribution, etc.

The drug related information available on CHIS are sourced from our data warehouse that captures and standardizes the relevant public and non-public data, which saves the time of users from having to search for information using a wide variety of different sources. It is considered as core “business tool” by our users for making references during daily operations. It primarily includes (i) comprehensive medical product manufacturers profiles showing the company’s basic information, annual reports (if applicable), launched medication, competitiveness, research and development layout and progress tracking; (ii) medicine full life-cycle profiles covering discovery, acceptance review and launch; (iii) historical positioning information and advertising layout of medicines; (iv) historical sales amount of medicine and corresponding ranking by type, brand, efficacy, and manufacturer; (v) authorities’ bid information; and (vi) latest relevant governmental policies.

CHIS also helps the users, in particular, medical product manufacturers, evaluate medicine in the market with similar efficacy so as to adjust their medicine development or distribution strategies and stay ahead of the competition. The users can quickly acquire the information about the substitutes of a particular medicine in terms of the market entry (e.g., price, insurance

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benefits), pharmacology (e.g., indication, efficacy), supply and demand (e.g., number of medical product manufacturers that engage in developing or selling such medicine), clinical evidence (e.g., clinical trials process) and market penetration (e.g., concentration ratio, market share by name and category).

We have upgraded CHIS over the years to improve its efficiency and functionality. For the year ended 31 December 2021, there were 80 CHIS clients, among which, 67 were medical product manufacturers.

CHIS supports both a computer desktop version and a H5 mobile version, offering access to our data insights anywhere and at anytime. See "Pictures for Major Interfaces of Our SaaS Products—Smart Decision Cloud—CHIS" in Appendix VI to this document for pictures demonstrating major interfaces of our CHIS.

LinkedSee

LinkedSee mainly provides data insights based on consumer portrait analytics. It supports medical product manufacturers to gain market information on the latest drug retail performance through the three major functions, namely, industry overview, data insights by medicine category and data insights by brand. Through LinkedSee, users can have an overall insight into the sales performance of the drug market and refine the market performance and consumer characteristics for a specific drug category or brand, so as to optimize the decisions in relation to retail distribution and development for a specific product category.

Compared with CHIS which mainly provides drug related information, the data insights provided through LinkedSee focus more on analyzing the retail performance of drugs by category and brand from the perspective of consumer portrait. LinkedSee relies on a large number of real-world retail samples with pharmacies' retail data on per retail transaction basis and the de-identified member information collected through SIC. We tag the key metrics of data entries as dimensions in analytics including consumer portraits (e.g., age, habit, spending power and preference), transaction time, geographical locations (e.g., region, province, cities), product type purchased (e.g., name, place of origin, dosage, categories and indications) and scale of pharmacies (e.g., level of scale in terms of annual or monthly sales volume). As at the Latest Practicable Date, LinkedSee was able to provide data insights of more than 100 categories within more than 70 data dimensions under its three major functions.

Users can sort data insights through LinkedSee by tags. In particular, users are enable to (i) identify the target market by comparing the consumer portrait in terms of gender, age group and preference; (ii) evaluate the product penetration and optimize the marketing strategies by refining consumer behavior in terms of frequency of purchase, repurchase rate, purchase amount, price per product; and (iii) explore the marketing opportunities by understanding the stickiness among the categories or brands that are usually purchased together.

For the year ended 31 December 2021, there were 29 LinkedSee clients, among which, 28 were medical product manufacturers. We aim to develop our LinkedSee into the most influential consumer insight and marketing platform in the healthcare industry with our data modules.

See "Pictures for Major Interfaces of Our SaaS Products—Smart Decision Cloud—LinkedSee" in Appendix VI to this document for pictures demonstrating the major interfaces of our LinkedSee.

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Pharmacy Connect

Pharmacy Connect mainly offers data insights based on pharmacy information analytics. Our Pharmacy Connect supports medical product manufacturers to have an understanding of retail market pattern, scale, potential and maps of the geographical network of pharmacy stores. Through Pharmacy Connect, users can check the number and market potential of pharmacy stores by region and for each pharmacy, search for store geographical location, as well as view the store layout by store type, market potential and location so as to optimize the decision in relation to sales channel selection, promotion channel selection and marketing effect monitoring.

As at the Latest Practicable Date, according to iResearch Report, our Pharmacy Connect was the only cloud-based SaaS product in the healthcare industry that provides data insights for China's overall pharmacy market with a level of detail down to each single pharmacy store. The data insights available through Pharmacy Connect do not include trade secrets of the pharmacies (such as revenue and cost of sales of a particular pharmacy) or private and confidential information of the consumers.

Pharmacy Connect features four major functions, including (i) an overview of pharmacies across the nation by presenting the number of pharmacies, national/regional layout, top 10 chain pharmacies and multi-dimensional ranking lists; (ii) an overview of retail markets, including an analysis of market trend, opportunities and challenges and retail market layout; (iii) an overview of major chain pharmacies, including an analysis of the store distribution market potential and characteristic of each major chain pharmacy; and (iv) a mapping of the pharmacies' locations.

For the year ended 31 December 2021, there were 53 Pharmacy Connect clients, among which, 49 were medical product manufacturers. We aim to develop our Pharmacy Connect into the most influential retail channel management platform in the healthcare industry with our data modules.

See "Pictures for Major Interfaces of Our SaaS Products—Smart Retail Cloud—Pharmacy Connect" in Appendix VI to this document for pictures demonstrating the major interfaces of our Pharmacy Connect.

Operation Process

Major steps involved in the provision of our Smart Decision Cloud are set forth below:

- **Product trial.** Our potential clients may initiate product trials for a certain period before their purchase of our Smart Decision Cloud products.
- **Confirmation of subscription package.** We confirm the subscriptions with our potential clients if the trial experience is satisfactory.
- **Engagement contracts signed.** Upon acceptance of our subscription proposals and fees by potential clients, we will prepare contracts for signing.
- **Delivery of official user accounts and technical assistance.** We will deliver our official user accounts to our clients pursuant to the contracts. We will also provide necessary technical assistance on an as-needed basis.

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Fee Model

Our Smart Decision Cloud products are typically charged by annual subscription with either full or pre-determined partial access to our data insights and functionality. Depending on the subscription packages, we may offer add-on items such as national purchase behavior insight reports and brand national annual turnover data insight reports free of charge. Our Smart Decision Cloud clients pay a preset fee for the subscription period. During the Track Record Period, we normally charged an annual subscription fee per user account of (i) approximately RMB80,000 to RMB300,000 for our CHIS, depending on the scope of access; (ii) approximately RMB360,000 per drug category for our LinkedSee, while our clients may require a coverage of more than one drug category; and (iii) approximately RMB80,000 for our Pharmacy Connect. For each of our CHIS, LinkedSee and Pharmacy Connect, our clients may require more than one user account so as to facilitate the use of our product by their multiple teams. For the same periods, the total annual subscription fee we charged per client for a single product generally ranged from approximately RMB80,000 to over RMB1 million depending on the number of user accounts required, the products purchased and scope of access. Revenue generated from our Smart Decision Cloud is recognized over the granted user period on a straight-line basis, starting from the point when the user account is activated and other revenue recognition criteria are met. See "Financial Information—Significant Accounting Policies—Revenue Recognition—Revenue from contracts with clients—(c) SaaS products" in this document.

Key terms of arrangements with our Smart Decision Cloud clients

Under the contracts for provision of Smart Decision Cloud, we provide our clients with access to our Smart Decision Cloud products and are responsible for the development and maintenance of the systems delivered and technical supports. We charge an annual subscription fee for our Smart Decision Cloud products. We are bound by confidentiality obligations. We are also required to ensure that delivery of our Smart Decision Cloud products is in compliance with relevant intellectual property laws and regulations and does not infringe the intellectual property rights of third parties. Our clients are not allowed to sell, lease, transfer or grant access to Smart Decision Cloud products to other parties except for their staff. During the Track Record Period, our contracts generally had a term of one year. We also entered into contracts for product trials with a term within one month.

Smart Retail Cloud

As at the Latest Practicable Date, our Smart Retail Cloud product only included SIC, which is a store and retail management software and helps retail pharmacies improve their professional services, customer services efficiency and internal management levels. Our SIC is backed by our big data and AI technologies to provide our clients with valuable retail data insights as well as efficient customer relationship and store management.

Our SIC is a significant driving force of our business model. We obtain data partly from our SIC users pursuant to our SIC Services Agreements which includes store location and inventory, retail data and de-identified store membership information. We do not collect any information in relation to the customer services provided by pharmacies to store members through SIC. See "—Our Technologies and Big Data—Big Data—Data Sources and Data Collection" in this section.

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During the Track Record Period, our SIC users were not required to pay us installation and basic services subscription fees. Our clients may require customized add-on services such as (i) category management function which enables the pharmacies to generate in-store sales structure report, monitor the in-store and overall inventory, as well as conduct procurement and promotion management; (ii) automated marketing function which includes sending repurchase reminders, promotional coupons and notifications of other member privileges to the store members; and (iii) onsite training, with an additional services fee. We believe that our SIC operations were of strategic significance to lay a strong foundation for our data collection as well as to establish an extensive client network. Our SIC empowerment system consists of three ports, a web-based back-end control port installed for the headquarters of retail pharmacies that is connected to the sales system of each store, a mobile application which faces pharmacy staff and an online official account set up through WeChat by the pharmacies that faces their consumers. As at the Latest Practicable Date, there were (i) approximately 192,400 pharmacy staff registered as users of the mobile application of SIC who managed the membership of approximately 231 million consumers through the mobile application of SIC; (ii) approximately 43,100 active pharmacy staff who had used our SIC mobile application within 30 days before the Latest Practicable Date; (iii) approximately 27 million active consumers managed by pharmacies through our SIC had made purchase in the stores of our partnering pharmacies within 90 days before the Latest Practicable Date. As at the Latest Practicable Date, 1,257 retail pharmacies installed our SIC and 63,234 pharmacies stores were connected to our SIC through their own sales systems.

The back-end control port of our SIC is connected to us and enables the retail pharmacies to manage and monitor all the key functionalities of SIC, supporting by mobile application and official online account that are connected to the back-end control port. The key functions and features of SIC include:

- **Membership and automated marketing management.** SIC is capable of digitalizing membership management. The online official accounts provide the e-membership features to members. Once a consumer becomes a member through one-click membership registration feature embedded in the pharmacy's official online account, the consumer's profile data such as age, gender, historical purchase records, purchase habits, and purchase frequency are available on the back-end control port. Pharmacies are able to track overall membership registration, member information, member satisfaction and online follow-up, as well as identify member loyalty and level of member activeness based on their purchase frequency so as to understand the demand of members and optimize the sales strategies. In addition, pharmacy staff can manage the in-store membership and monitor the purchasing behavior and history of their consumers through the mobile application according to their access rights granted by the pharmacies at headquarter level, so as to understand their sales potential. SIC also provides automated marketing function as an add-on service, including repurchase reminders, promotional coupons and notifications of other member privileges which will be set up on the back-end control port and sent to the store members through the official online account.

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- **Store management.** Our SIC enables pharmacies to manage each of their stores and pharmacy staff by setting up access authorizations, dispatching staff assignments and monitoring daily operational data such as the number of new members, sales revenue, achievements of stores, staff performance and the effectiveness of promotions through the back-end control panel. Correspondingly, pharmacy staff can view the staff assignments or sales metrics in detail on the mobile application and track the progress towards sales goals in a timely manner. In addition, we provide category management function via the back-end control port on demand as an add-on service, which enables pharmacies to have a clearer and more detailed understanding of the in-store sales performance of each of their stores. In particular, through SIC category management, pharmacies can generate in-store sales structure report based on gross profit margin and related metrics analysis, monitor the in-store and overall inventory, conduct procurement and promotion management so as to identify the medicine categories that drive the profits, understand supply and demand imbalance, and take responsive actions in a timely manner.
- **Data insights.** Data insights add value to our SIC users. Through the back-end control port, pharmacies have access to our data insights subject to our authorization, which enables them to efficiently retrieve information regarding market condition and opportunities. Our data insights cover (i) at product level, an overview of medicine or quarterly retail sales performance of each store and the overall market performance (e.g., fluctuation of the average medicine sales amount and number of medicine categories available) within the area surrounding each store; and (ii) at member level, member profile labels, member spending power, member marketing effects, membership movement trends.
- **Training.** Compared with training services provided under our Data Insight Solutions which are customized for our medical product manufacturer clients, training services under SIC mainly aim to help pharmacies enhance the sales skills of their in-store staff and are delivered through the SIC mobile application as online training courses on a regular basis. Such training services are associated with the store management function, through which, pharmacies can require the in-store staff to complete relevant assignments on the mobile application and track the training progress and effectiveness. As at the Latest Practicable Date, we had launched more than 1,000 proprietary online training courses on our mobile application through a leading online video platform in the PRC which included pre-recorded training videos and detailed training articles, covering diseases, store management techniques, and sales and marketing techniques. In addition, we also provide on-site training for SIC users as an add-on service, which guides them through the application of SIC functions and features with a combination of the pharmacy's daily operation, providing effective and efficient approaches in using the SIC that tailored to their business situation.

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We completed our acquisition of Guangzhou Jiasi in May 2021. Guangzhou Jiasi obtained an ICP License in March 2021 and intends to principally engage in the provision of a web-based online market place for retail pharmacies as merchants that involves value-added telecommunication business services under our Smart Retail Cloud. See “History, Reorganization and Corporate Structure—Acquisition of Guangzhou Jiasi” in this document. We expect that more products will be available under our Smart Retail Cloud going forward.

Operation Process

The operation process of SIC is similar to that of Smart Decision Cloud. See “—Our Business Segments—SaaS—Smart Decision Cloud—Operation Process” in this section.

Fee Model

During the Track Record Period, our SIC users were not required to pay installation and basic services subscription fee. Our SIC users were only required to pay subscription fee for customized add-on services such as category management, automated marketing function and onsite training. Going forward, we may consider charging our SIC users installation and basic services subscription fee when we roll out an upgraded version of SIC, which is expected to be in 2023.

Key terms of arrangements under SIC Services Agreement

Pursuant to the SIC Services Agreement, the agreement will take effect immediately upon our SIC users’ acceptance by checking the box upon logging in to our SIC back-end control port. We may amend and/or adjust our terms of services and publish relevant announcement on the back-end control port of our SIC. Pursuant to the SIC Services Agreement, (i) such changes will be effective immediately upon being published on the the back-end control port of our SIC without any other notice separately made to each user; (ii) the users are allowed to stop using our SIC immediately if they do not agree with the relevant changes; and (iii) it is deemed that the users have no objection to the relevant changes if they keep using our SIC. Since the above arrangements do not violate the mandatory laws and regulations of the PRC, our PRC Legal Advisers are of the view that amendments made to terms of services of the SIC Services Agreements will be valid and apply to our SIC users immediately upon its publication on the SIC back-end control port.

The digital tools available to our clients may vary depending on subscription. Users may apply for a SIC account through our website and a mobile application account will be created by default at the same time. We own the SIC accounts and our users have the right to use our SIC accounts. Unless otherwise agreed and prescribed under the contracts, we own the intellectual property rights of products, technologies, softwares, data and other information under our services.

Pursuant to the SIC Services Agreement, we are allowed to collect, manage and analyze the retail and other data collected from our SIC users. We are allowed to process such data and are bound by strict confidentiality. We may analyze, use and develop the acquired data, which is not considered as a breach of confidentiality. We may suspend or discontinue our services at any time without further notice. We may also ask for compensation from our users if they breach

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the agreement or fail to pay for the services. Given that (i) our SIC users have de-identified the data, namely, deleted or encrypted the personal information contained in the data, before it is exported to our database; and (ii) the SIC users have confirmed that they are entitled to provide the data without obtaining consent from third parties by accepting the SIC Services Agreement, our PRC Legal Advisers are of the view that collecting, managing and analyzing the data collected from our SIC users by the execution of the SIC Services Agreement are not in violation of the mandatory laws and regulations of the PRC.

Smart Health Management Cloud

As at the Latest Practicable Date, our Smart Health Management Cloud referred to our AI-MDT capabilities that offer in-depth physical examination report analysis and subsequent health management plans with the support of AI technologies. Our AI-MDT services primarily focus on disease screening and prevention, sub-health intervention and chronic disease management. Target end users of our AI-MDT services include (i) individuals who receive annual physical examinations; (ii) the elderly who need physical examinations and/or medical assessments on a more regular basis; and (iii) patients with chronic diseases who require regular follow-up consultations, risk assessments, medication alarms and treatments. We seek various cooperative opportunities with our target clients which include physical examination institutions and medical service institutions so as to let our target users access to AI-MDT services.

Our physical examination report analysis interprets the numerical meaning of indicators, identifies the risk of chronic diseases and provides health management solutions, and our patient-end mini-program helps pre-chronic diseases patients manage their lifestyle by online follow-up. It is backed by evidence-based medicine and biomedical knowledge graphs which are established by our specialized team with members who possess medical or computer science expertise, on the basis of interpretation and analysis of published clinical guidelines, as updated from time to time. Evidence-based medicine knowledge graphs include diseases graphs, clinical pathway graphs, medicine graphs, etc. while biomedical knowledge graphs cover gene graphs, biological target graphs, etc. We input our diverse knowledge graphs into deep learning programs, through which, a wide variety of diseases are automatically associated with the corresponding health metrics, symptom, diagnosis terminology, treatments or daily care suggestions, etc. under AI-MDT. In addition, our deep learning programs enable the AI-MDT to keep track of the changes in the user's health metrics and adjust the medical and healthcare suggestions in a timely manner. Currently, we primarily offer our AI-MDT services to our target users through physical examination institutions which purchase our AI-MDT for the purpose of providing an add-on service to their medical check-up clients. Users are able to obtain our AI-MDT services via platforms that are deployed by institutions and are connected to our AI-MDT services.

Our AI-MDT generates customized healthcare reports for users that contain health risk analysis, health management goals and healthcare suggestions in terms of dietary, wellness, slumber, medical treatment, etc. Such reports are based on the key metrics of their medical check-up results inputted by physical examination institution and lifestyle information (e.g., dietary and exercise) provided by the users. Through our knowledge graphs and deep learning programs as disclosed above, we are able to offer customized diagnosis experience, namely, identifying the risk of chronic diseases and providing health management solutions based on

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each individual's health metrics and lifestyle, to numerous users in an efficient manner. Our AI-MDT provides online follow-up and health management program implementation and automatically and regularly alerts doctors to conduct online follow-up visits and provides assessments.

Fee Model

For our AI-MDT, we provide usage-based subscriptions for APIs which are pre-programed in a pre-determined structure and format. During the Track Record Period, our fee charged per usage of a basic AI-MDT version ranged from RMB10 to RMB15 depending on the applicable minimum usage volume thresholds per month in order to encourage our clients to engage more users. Therefore, the greater the demand of our basic AI-MDT services, the lower the price charged per usage. Revenue generated from our Smart Health Management Cloud is mainly recognized at a point in time when the right to use API is provided and the report is generated for users. See "Financial Information—Significant Accounting Policies—Revenue Recognition—Revenue from contracts with clients—(c) SaaS products" in this document.

Key terms of arrangements with our AI-MDT clients

During the Track Record Period, we had entered into cooperation agreements effective for ten years with the largest private physical examination institution in terms of revenue and number of physical examination institutions in China according to the iResearch Report, as well as an internet hospital and a data company to provide AI-MDT services, respectively. A summary of the key terms of these arrangements are set forth below:

- **Term.** The contracts are effective for ten years unless terminated at an earlier date by mutual agreement.
- **Invoice and payment.** Our monthly statement will be sent to our clients for cross-checks. After our clients confirm, we will issue a monthly bill. Payment of our fees should be made within a period upon receipt of our monthly bills.
- **Data security.** Our clients are responsible for collecting from services recipients (i) personal information; and (ii) personal health information. We do not collect or store the patients' personal information and medical records from our clients on our servers.
- **Intellectual property rights.** We possess the intellectual property rights of our AI-MDT and are responsible for our clients' losses due to claims by third parties that result from our infringing their intellectual property rights.

Pursuant to the agreements entered into with our clients, (i) we are not liable for the inaccuracy of the analysis and suggestions contained in the healthcare reports; (ii) the healthcare reports are delivered to the end users by our clients subject to their internal review or approval; and (iii) we are primarily responsible for the technical support for our clients' provision of relevant services to their end users based on our AI-MDT.

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In relation to the collection of certain information extracted from physical examination reports during our AI-MDT services, (i) we are entrusted by our AI-MDT clients to process the relevant information collected from them, namely, the de-identified data extracted from individuals' physical examination reports; (ii) we process the de-identified data strictly in accordance with the purposes and methods specified in the agreements that we entered into with our AI-MDT clients, and (iii) we do not use such data for any other purpose which is not agreed upon in such agreements or provide such data to any third party without authorization of relevant AI-MDT clients. Based on the above, our PRC Legal Advisers confirm that our collection of information from physical examination report provided by our AI-MDT clients complies with the Information Security Technology—Personal Information Security Guidelines (《信息安全技術—個人信息安全規範》) and the PIP Law in all material aspects.

Key terms of agreements with our medical practitioners

During the Track Record Period, we had entered into cooperative agreements with a number of medical practitioners as experts to provide overall consulting in order to support our AI-MDT services. A summary of the key terms of these agreements are set forth below:

- **Terms.** Our medical practitioners are responsible for (i) providing professional consulting guidance for the upgrade of our AI-MDT; and (ii) overseeing our AI-MDT physical examination report analysis that has been generated.
- **Remuneration.** Fees paid to our medical practitioners are generally based on the number of physical examination report analysis reviewed as stipulated in the agreement. Generally, we pay RMB2 to RMB5 per report depending on the experience of the medical practitioners. For the medical practitioner providing general consulting, we usually pay a fixed fee for the whole completed work instead of calculating the fees based on the number of reports.
- **Intellectual Property.** We own the intellectual property rights of all the work during the course of performing contracts. Our medical practitioners are not allowed to publish articles or essays regarding their service content in any sources without our consent.

Smart Medical Cloud

Our Smart Medical Cloud aims to empower medical service institutions and public health agencies with one-stop medical solutions through the provision of application software. It intends to integrate online and offline resources and supports the whole medical treatment process from making appointments, consultations, diagnoses, treatments to follow-ups, medical record management and analyses, medicine and medical device assessments, symptom detections and public health monitoring to public health education. As at the Latest Practicable Date, our Smart Medical Cloud was in the process of research and development and we had completed approximately 50% of the entire project. The completed portion includes certain modules under Woodpecker Clinic and an internet hospital SaaS product that have been in use, mainly covering service modules of medical appointment management, remote medical consultations, possible disease prediction, electronic prescription issuance and medicine delivery arrangement provided through web-based applications and the associated mobile applications and/or mini-programs that face to our clients and their patients, respectively. We do not collect or store any information of our clients' patients on our servers during the provision of our services.

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As at the Latest Practicable Date, we had cooperated with four prospective internet hospital operators to assist in their setup of internet hospitals for the purpose of obtaining internet hospital operating licenses for them as part of our initial attempt to commercialize these modules. A summary of the key terms of cooperation with the prospective internet hospital operators are set forth below:

- **Scope of services.** We provide services in designing, developing and installing software covering web-based application and the associated mobile applications and/or mini-programs that respectively face to our clients and their patients in relation to the required service modules.
- **Payment arrangement.** Payments of our fees are typically made by installment based on the development progress.
- **Term.** During the Track Record Period, our contracts generally had a term of approximately one month to three months for the delivery of our software, together with a period of service maintenance for approximately one year to five years (where applicable).

For more details regarding our research and development and our business plan regarding Smart Medical Cloud, see "—Research and Development" in this section.

Fee Model

We began generating revenue from our Smart Medical Cloud in 2021. We charge our Smart Medical Cloud clients on project basis with reference to (i) the service modules constructed; and (ii) the associated technology and services provided. During the Track Record Period, our fees charged for Smart Medical Cloud generally ranged from RMB100,000 to RMB250,000 per contract, depending on scope of services. Revenue generated from our Smart Medical Cloud is recognized at a point in time when the application software is delivered and accepted by our clients. See "Financial Information—Description of Major Components of our Results of Operations—Revenue—SaaS" in this document.

OUR CLIENTS

Our solutions and products are widely used in the healthcare industry. We have developed a broad client base covering key stakeholders in the healthcare industry chain, including medical product manufacturers, pharmacies, physical examination institutions, investment institutions, regulators, medical service institutions and insurance companies. We believe our capabilities in attracting and retaining our clients rest on our ability to develop and offer industry-specific features and solutions that satisfy their needs.

For the years ended 31 December 2019, 2020 and 2021, we had 630, 702 and 918 corporate clients, respectively. During the Track Record Period, over 99.9% of our revenue was derived from our corporate clients. We are able to retain our clients through continuously strengthening our capabilities, launching new solutions and products based on the market trends, improving our solutions and product quality and enhancing client services and reputation. For the years ended 31 December 2020 and 2021, 304 and 426 of our corporate clients were repeat clients. For the same periods, our revenue derived from these repeat clients amounted to approximately RMB165.7 million and RMB262.0 million, representing approximately 82.0% and 80.8% of our total revenue, respectively.

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We usually grant a credit period of seven to 120 days to our clients. The credit quality of these clients is assessed, based on their financial position, past experience, business relationship with our Company and other factors. In view of the good collection history of receivables due from our clients, our management believes that the credit risk inherent in our outstanding trade receivables balances due from them is not significant. See “Financial Information—Financial Risk Disclosure—Credit Risk” in this document. We generally do not enter into long-term framework agreements with our clients and most of our revenue from existing clients is generated on a project-by-project, one-time or annual basis.

Top Five Clients

We generated revenue of approximately RMB42.3 million, RMB47.8 million and RMB71.7 million from our top five clients, representing approximately 23.7%, 23.6% and 22.1% of our total revenue for the years ended 31 December 2019, 2020 and 2021, respectively. Revenue from our largest client in each year during the Track Record Period was approximately RMB10.0 million, RMB14.0 million and RMB20.5 million, representing approximately 5.6%, 6.9% and 6.3% of our total revenue for the same periods, respectively. Our Directors confirm that none of our Directors, their respective associates or any shareholders (which to the knowledge of our Directors owns 5% or more of our Company’s issued share capital) held any interest in any of our five largest clients during the Track Record Period.

The following tables set forth certain details of our top five clients during the Track Record Period.

For the year ended 31 December 2019

Rank	Client group	Segment	Principal business	Year of commencement of business relationship	Revenue contribution	Percentage of revenue contribution
					RMB'000	%
1	Client A . . .	Data-driven Publications and Events	A Chinese company involved in investment, operation, wholesale distribution and retail of pharmaceutical products in the healthcare industry	2010	10,001	5.6
2	Client B . . .	Data Insight Solutions, Data-driven Publications and Events and SaaS	A Chinese conglomerate involved in a variety of businesses including consumer products, healthcare, urban construction and operations, energy services and technology and finance	2011	9,729	5.5
3	Client C . . .	Data Insight Solutions, Data-driven Publications and Events and SaaS	A Chinese company involved in research and development, production and sales of pharmaceutical products	2017	9,328	5.2

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Rank	Client group	Segment	Principal business	Year of commencement of business relationship	Revenue contribution	Percentage of revenue contribution
					<i>RMB'000</i>	%
4	Client D . . .	Data Insight Solutions and Data-driven Publications and Events	A multinational pharmaceutical and healthcare company involved in production and processing of various nutritional and therapeutic products and medicines	2011	6,648	3.7
5	Client E . . .	Data Insight Solutions and Data-driven Publications and Events	A Chinese company involved in production and retail of chemical ingredients and biochemical and biological products, traditional Chinese Medicine, and raw materials for antibiotics	2016	6,575	3.7
				Total	<u>42,281</u>	<u>23.7</u>

For the year ended 31 December 2020

Rank	Client group	Segment	Principal business	Year of commencement of business relationship	Revenue contribution	Percentage of revenue contribution
					<i>RMB'000</i>	%
1	Client F . . .	Data Insight Solutions, Data-driven Publications and Events and SaaS	A multinational pharmaceutical company involved in production and processing of various chemical raw materials and biological products, import and export of drugs, wholesale of drug and food and sale of medical equipment	2010	14,004	6.9
2	Client B . . .	Data Insight Solutions, Data-driven Publications and Events and SaaS	A Chinese conglomerate involved in a variety of businesses including consumer products, healthcare, urban construction and operations, energy services and technology and finance	2011	10,847	5.4
3	Client C . . .	Data Insight Solutions and Data-driven Publications and Events	A Chinese company involved in research and development, production and sales of pharmaceutical products	2017	8,353	4.1

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Rank	Client group	Segment	Principal business	Year of commencement of business relationship	Revenue contribution	Percentage of revenue contribution
					RMB'000	%
4	Client G . . .	Data Insight Solutions, Data-driven Publications and Events and SaaS	A multinational pharmaceutical company involved in research and development, production and processing of drugs and other medicines for various diseases	2016	7,729	3.8
5	Client D . . .	Data Insight Solutions and Data-driven Publications and Events	A multinational pharmaceutical and healthcare company involved in production and processing of various nutritional and therapeutic products and medicines	2011	6,868	3.4
Total					47,801	23.6

For the year ended 31 December 2021

Rank	Client group	Segment	Principal business	Year of commencement of business relationship	Revenue contribution	Percentage of revenue contribution
					RMB'000	%
1	Client A . . .	Data Insight Solutions, Data-driven Publications and Events and SaaS	A Chinese company involved in investment, operation, wholesale distribution and retail of pharmaceutical products in the healthcare industry	2010	20,494	6.3%
2	Client B . . .	Data Insight Solutions, Data-driven Publications and Events and SaaS	A Chinese conglomerate involved in a variety of businesses including consumer products, healthcare, urban construction and operations, energy services and technology and finance	2011	15,652	4.8%
3	Client F . . .	Data Insight Solutions, Data-driven Publications and Events and SaaS	A multinational pharmaceutical company involved in production and processing of various chemical raw materials and biological products, import and export of drugs, wholesale of drug and food and sale of medical equipment	2010	13,651	4.2%

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Rank	Client group	Segment	Principal business	Year of commencement of business relationship	Revenue contribution	Percentage of revenue contribution
					<i>RMB'000</i>	%
4	Client H . . .	Data Insight Solutions and Data-driven Publications and Events	A multinational pharmaceutical and healthcare company engaged in investment and operation of pharmaceutical, biological and other related projects, research and development of innovative pharmaceutical products and high and new technology	2016	11,628	3.6%
5	Client D . . .	Data Insight Solutions, Data-driven Publications and Events and SaaS	A multinational pharmaceutical and healthcare company involved in production and processing of various nutritional and therapeutic products and medicines	2011	10,266	3.2%
				Total	<u>71,691</u>	<u>22.1%</u>

Note:

- (1) During the Track Record Period, we provided services to, and signed agreements with, several entities within client groups. The rankings are based on revenue from entities within a client group.

Our Sales and Marketing

Through a combination of various sales and marketing means such as online and offline marketing, brand promotion, cross-marketing and Industry Events, we have created a strong brand name in the healthcare industry as well as a large client base. For the years ended 31 December 2019, 2020 and 2021, our selling and distribution expenses were approximately RMB10.7 million, RMB14.8 million and RMB24.8 million, representing approximately 6.0%, 7.3% and 7.6% of our total revenue for the same periods, respectively. Our selling and distribution expenses for the year ended 31 December 2021 increased primarily due to an expansion in our sales and marketing team for promotion of our SaaS products. See “Financial Information—Description of Major Components of Our Results of Operations—Selling and Distribution Expenses” in this document. Generally, our sales and distribution expenses were at a relatively low level largely because of our reputation of proven capability in the healthcare industry and our Healthcare Industry Participant Networks. We believe word-of-mouth has driven an increase in our new clients. We also cross-sell our solutions and products, both directly and indirectly, to existing and potential clients.

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Direct Sales and Marketing Efforts

We market and sell our solutions and products primarily through our internal sales and marketing team. As at the Latest Practicable Date, our sales and marketing team comprised 89 employees, who were responsible for developing, supporting and maintaining our relationship with our clients, sales and promotions of our solutions and products. We consider that our sales and marketing team are well-versed in the features of our offerings, industry knowledge and technical know-how, and are well-equipped to identify our clients' needs.

We conduct our marketing campaigns through our Media Channels, our official websites and our Industry Events. We also work with celebrities/key opinion leaders in our marketing campaigns and embed our brands, solutions and products into live streaming. With these diverse channels, we believe that we have effective strategies to enhance brand awareness and attract new clients.

Cross-selling

By providing integrated and comprehensive solutions and products to clients, we are in a strong position to cross-sell across our three business segments, which complement our direct sales and marketing. We cross-sell our solutions and products to existing and new clients through various means, such as our direct sales and marketing efforts, word-of-mouth, media and other conventional means of marketing that aim to introduce our capabilities and unique value propositions to clients. We believe that we have earned the trust and loyalty of our clients based on our proven track record, which we believe will enable us to leverage synergies and diversify our revenue streams. For the years ended 31 December 2019, 2020 and 2021, (i) approximately 14.9%, 17.1% and 16.7% of our corporate clients had used our solutions and products of more than a single business segment, and our sales to these clients accounted for approximately 66.6%, 65.6% and 72.6% of our total revenue for the same periods, respectively; and (ii) approximately 58.0%, 68.0% and 75.0% of our largest 100 corporate clients in terms of revenue had used our solutions and products of more than a single business segment.

Each of our business segments has its unique features and pricing strategies. For example, our Data Insight Solutions are tailor-made to solve a particular problem and offer actionable data insights which not only focus on past patterns and status but also provide a logical analysis of the reasons behind and recommendations of actions. Our SaaS, by contrast, offers standardized sets of data analytics which are frequently updated. We are able to cross-sell our Data Insight Solutions if and when our SaaS clients have demand for customized actionable data insights.

Client Support, Services and Education

We are client-centric. We have built a corporate culture that focuses on consistently adding value to our clients and ensuring their business success and satisfaction. We deliver technical support, on-the-ground professional services and educational content to ensure our clients obtain the most out of our solutions and products:

- ***Technical assistance.*** We offer technical assistance through our large and experienced technical support team. Periodic system maintenance and continuous feature additions are also included in our contract coverage, which is included in the subscription fee.

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- ***On-the-ground professional services.*** For our Data Insight Solutions, we provide in-person consultations to clients on an as-needed basis. We monitor client satisfaction internally as part of formalized programs and at regular intervals during the client lifecycle, including during the transition from sales to implementation, at the completion of an implementation project and on an on-going basis based on interactions with clients.
- ***Educational content.*** Our proprietary educational content is published on our Media Channels, enabling our clients to keep in pace with the latest market trend and general know-how in a convenient and timely manner.

OUR SUPPLIERS

Our suppliers mainly include (i) some of our partnering pharmacies which provide us with data and charge us fees. For more information regarding our data cooperation arrangements with our partnering pharmacies, see “—Our Technologies and Big Data—Big Data—Data Sources and Data Collection” in this section; (ii) our software and hardware providers. We typically enter into contracts with our software and hardware providers for a term of 12 months; (iii) for our Data-driven Publications and Events, hotels, travel agencies and specialized service providers which provide accommodations, transportations and event organization services; and (iv) for Data Insight Solutions, advertising agency services providers. We typically enter into one-time purchase contracts with our suppliers for our Data-driven Publications and Events. Our purchase contracts usually set forth the price, work scope and quality and quantity requirements, depending on the nature of services provided. As at the Latest Practicable Date, we had not entered into any long-term agreements with our suppliers. We generally have detailed and specific standards on quality and quantity of goods or services, such as the number and tier of hotel rooms and ancillary facilities provided, buses reserved for services and catering standards. Prices for goods or services are primarily determined depending on the type of items procured and event size. We usually make full payment within 14 to 60 days after our receipt of the invoices issued by our suppliers.

During the Track Record Period, some of our partnering pharmacies were also our clients through CMH Cooperation Agreements. The raw data we obtained from these clients was mainly related to their sales information while we provide them with our medical product retail report. See “—Our Technologies and Big Data—Big Data—Data Sources and Data Collection” in this section. The reason for the overlapping arrangement was information and data cooperation and sharing. We have continuous demand for voluminous raw data to enrich our data resources. For the years ended 31 December 2019, 2020 and 2021, through the CMH Cooperation Agreements, our revenue generated from these clients was approximately RMB1.3 million, RMB1.3 million and RMB2.6 million, respectively, while our purchases from these clients was approximately RMB1.3 million, RMB1.3 million and RMB2.7 million, respectively, representing the fee we paid for their monthly retail data. Incidentally, some of our partnering pharmacies also purchased other solutions and products from us for an insignificant amount during the Track Record Period. For the same periods, our gross profit attributable to these overlapping clients and suppliers was approximately RMB185,000, RMB889,000 and RMB789,000, respectively, while the gross profit margin attributable to them was 12.2%, 40.0% and 22.8%, respectively.

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Our suppliers and services providers are required to go through certain selection processes as required by our internal policies on the selection and management of suppliers. We take into account several factors in selecting our preferred suppliers and services providers, such as product or services quality and technological capabilities, price competitiveness, past performance and industry reputation, as well as any quality certifications or health, safety and environment qualifications. Except for our partnering pharmacies, suppliers and services providers must first pass an initial qualification assessment which usually includes accreditation and certification. After the initial assessment, we will despatch our personnel to supervise and/or examine the performance of our suppliers based on the agreed contract terms, and will only accept products or services upon satisfactory quality inspection and receipt of required quality proof, if applicable. We generally require our suppliers and services providers to provide after-sales services as well as product warranty.

We generally determine our suppliers and services providers through competitive negotiation and do not retain a few preferred suppliers and services providers. We believe that there are multiple sources of supplies so that failure of performance by any supplier will not cause a significant adverse impact on our business. During the Track Record Period, our transactions with suppliers were denominated in Renminbi as all our vendors were located in PRC. The purchase price and payment arrangements with our suppliers are generally negotiated and determined at each of the individual purchase orders.

For the years ended 31 December 2019, 2020 and 2021, our total cost of sales were approximately RMB71.7 million, RMB71.9 million and RMB131.5 million, respectively. During the Track Record Period, we were generally able to pass on the increased costs to our clients because of our value proposition to clients and our established market position.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material lack of capacity, supply shortages, fluctuation in procurement price, delays or disruptions in our operations relating to our suppliers, services providers and contractors, or any material product claims attributable to our suppliers, services providers and contractors.

Top Five Suppliers

For the years ended 31 December 2019, 2020 and 2021, purchases from our largest supplier in each year during the Track Record Period accounted for approximately 11.2%, 11.6% and 11.1% of our total purchases, respectively. For the same periods, purchases from our five largest suppliers in aggregate accounted for approximately 36.7%, 31.8% and 34.7% of our total purchases, respectively. There was a slight increase in the proportion of purchases from our five largest suppliers for the year ended 31 December 2021 as we expanded our Merchandise Trading Event and incurred more expenses on event venue and services. Our Directors confirm that none of our Directors, their respective associates or any shareholder (which to the knowledge of our Directors owns 5% or more of our Company's issued share capital) held any interest in any of our five largest suppliers during the Track Record Period.

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The following tables set forth certain details of our top five suppliers during the Track Record Period.

For the year ended 31 December 2019

Rank	Supplier	Type of products / services provided to us	Principal Business	Year of commencement of business relationship	Amount of total purchase incurred	Percentage of amount of total purchase incurred
					<i>RMB'000</i>	%
1	Supplier A	Event services and venue provider	An event and exhibition services company involved in planning, organization and reception of conventions and exhibitions, ceremony and celebration services, and organization and holding of large-scale cultural and sports events	2017	6,610	11.2
2	Supplier B	Event services and venue provider	A company involved in hotel management, convention and exhibition services, event services and consultation, catering services, sale of hotel supplies and travel supplies	2017	6,569	11.1
3	Supplier C	Data warehouse projects and others	An IT infrastructure company involved in technology services and sales of electronic products, digital products, computer hardware and software	2019	3,658	6.2
4	Supplier D	Event services and venue provider	A hotel company involved in event services and production and sales of food and drinks	2018	2,602	4.4
5	Supplier E	Travel agency	A travel company involved in provision of travel, transportation, accommodation and other agency services	2017	2,266	3.8
				Total	<u>21,705</u>	<u>36.7</u>

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For the year ended 31 December 2020

Rank	Supplier	Type of products / services provided to us	Principal Business	Year of commencement of business relationship	Amount of total purchase incurred	Percentage of amount of total purchase incurred
					<i>RMB'000</i>	%
1	Supplier B	Event services and venue provider	A company involved in hotel management, convention and exhibition services, event services and consultation, catering services, sale of hotel supplies and travel supplies	2017	6,265	11.6
2	Supplier A	Event services and venue provider and channel activities	An event and exhibition services company involved in planning, organization and reception of conventions and exhibitions, ceremony and celebration services, and organization and holding of large-scale cultural and sports events	2017	5,490	10.2
3	Supplier D	Event services and venue provider	A hotel company involved in event services and production and sales of food and drinks	2018	2,533	4.7
4	Supplier F	Event services and venue provider	A hotel company involved in restaurants, production and sales of food and event services	2018	1,514	2.8
5	Supplier G	Event services and venue provider	A travel company involved in travel business, event and exhibition services, hotel booking and flight ticket agent	2017	1,359	2.5
				Total	<u>17,161</u>	<u>31.8</u>

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For the year ended 31 December 2021

Rank	Supplier	Type of products / services provided to us	Principal Business	Year of commencement of business relationship	Amount of total purchase incurred	Percentage of amount of total purchase incurred
					<i>RMB'000</i>	%
1	Supplier A	Event services and venue provider	An event and exhibition services company involved in planning, organization and reception of conventions and exhibitions, ceremony and celebration services, and organization and holding of large-scale cultural and sports events	2017	11,491	11.1
2	Supplier H	Advertising and marketing services provider	An advertising company engaged in designing, production, agency, and publication of advertisements, providing integrated advertising and marketing services	2021	7,913	7.7
3	Supplier B	Event services and venue provider	A company involved in hotel management, convention and exhibition services, event services and consultation, catering services, sale of hotel supplies and travel supplies	2017	7,349	7.1
4	Supplier I	Event services and venue provider	A tourism operations company engaged in provision of catering services, accommodation services, performance venues, sports facilities and entertainment activities	2021	5,356	5.2
5	Supplier J	Advertising and marketing services provider	An advertising company engaged in designing, production, agency, and publication of advertisements, providing marketing, promotion and other related services	2021	3,774	3.7
				Total	<u>35,883</u>	<u>34.7</u>

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RESEARCH AND DEVELOPMENT

We believe our continual research and development to create and advance our solutions and products is key to advancing our market position and we allocate a substantial portion of our operating expenses to research and development, including improving our data technologies and developing new solutions and products. We incurred approximately RMB29.3 million, RMB39.8 million and RMB53.7 million of research and development costs mainly in relation to our data and AI technologies, SaaS products and aPaaS infrastructure for the years ended 31 December 2019, 2020 and 2021, respectively. Our research and development costs during the Track Record Period were expensed. We have implemented a research and development policy to manage and optimize our research and development process. We require our research and development team to formulate specific plan before the commencement of each research and development project and conduct regular review throughout the development process. We also require our research and development team to work with each other closely in order to streamline the delivery of our research and development projects.

As at the Latest Practicable Date, we had 251 employees in our research and development team, of which approximately 77% had obtained a bachelor's degree and more than 52% had not less than five years of professional experience in healthcare or technology-related industry. Members of our research and development team have expertise in clinical medicine, pharmacy, epidemiology, data analysis, data science, machine learning processes, software development, cloud computing and project management.

Our research and development team is responsible for projects involving cloud computing and information development technology, AI technology and big data technology. Our Big Data & AI Lab comprises (i) our AI technology team which focuses on machine learning, data analysis, knowledge graphs, natural language processing, computer vision and predictive modeling; and (ii) our data technology team which is mainly responsible for data warehouse, data cleansing and standardization technology, as well as data management and security. The other research and development team focuses on cloud computing and information development technology which mainly utilizes cloud technology to enhance our data storage capacity and data processing capabilities.

We have also established a professional committee which consists of Mr. Wu, Mr. Su and Mr. Tang that is responsible for overseeing the direction of our product and technology research and development efforts, evaluation of research and development projects, review of project goals and results, and resolution of any major issues that arise.

In addition, we cooperate with universities and research centers that possess cutting-edge technologies such as machine learning, big data analytics and other technologies related to our business for specific projects and deliverables that allow us to enhance our data and technology capabilities. For example, we have partnered with a research center established by interdisciplinary experts from a leading academic institution in the PRC to build technology for automated construction of knowledge graphs based on scholarly articles that have been published in biomedical and life science journals and other medical literature for a fee of over RMB1 million payable by us. Through this collaboration, the research project aims to build underlying technology as well as develop related software allowing wider use, and we own the intellectual property rights of the research results. We will conduct further testing and analysis and plan to incorporate them into our technologies.

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Recent Initiatives

We are committed to investing further in our research and development to fuel our growth and expand and enhance our technological capabilities. In August 2021, we entered into a comprehensive cooperation framework agreement with the cloud services arm of a Chinese multinational technology company, which set out cooperation and sharing of intelligence to build and develop solutions in the healthcare industry while leveraging their cloud capabilities, AI and big data technology, and high-performance computing power and the wide range and amount of healthcare industry data and relevant expertise that we possess. These objectives included (i) to promote, increase market share for, and penetration of, their cloud services and applications by leveraging our influence in the healthcare industry; (ii) to jointly develop applications and systems for tracing medical products and their management in order to satisfy relevant regulatory requirements; (iii) to develop solutions for acceleration of innovative drug research and their clinical trials; and (iv) to promote digitization of the entire healthcare industry. We will negotiate and sign specific cooperation agreements with the Chinese multinational technology company separately for specific projects. Focused project teams will also be formed based on execution needs. They will also be responsible for ensuring the collaboration progresses smoothly and to troubleshoot any issues that may be encountered.

In addition, one of our current focuses is the development and commercialization of our proprietary aPaaS offering. Although we primarily operate in the segment of insight solutions for medical products and channels, we are actively exploring business opportunities in medical services segment. See "Industry Overview" section in this document for more information about the market of medical services segment, future trends and opportunities, potential in the value of healthcare aPaaS and development of internet hospitals.

As at the Latest Practicable Date, we had taken the following initiatives:

- **Woodpecker medical cognition aPaaS.** As at the Latest Practicable Date, we are in the process of research and development of our woodpecker medical cognition aPaaS which features medical knowledge graphs, medical image analysis, deep learning, reasoning, planning and problem-solving and we had completed approximately 50% of the research and development project. We intend to open up our woodpecker medical cognition aPaaS to third-party developers and business partners to efficiently design, build and implement enterprise-grade SaaS products to achieve their optimal operating results, encouraging them to incubate innovative SaaS products with greater flexibility, reduced complexity and of improved performance. We also intend to support them with declarative, high-level programming abstractions, such as model-driven and metadata-based programming languages. See "Future Plans and [REDACTED]" in this document.

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Our woodpecker medical cognition aPaaS is designed to be a digitalized medical and pharmaceutical knowledge repository which will be available for use internally to avoid repetitive construction, and externally to potential clients through API. It will allow us and our potential clients to access medical and pharmaceutical knowledge and cognition in a wide range of specialties through various tools such as clinical decision support system and clinical pathway management system. We believe that there is a high demand in medical and pharmaceutical knowledge empowerment from medical institutions and medical research institutes, which will benefit from these tools during their digital transformation process.

- **Smart Medical Cloud.** With our efforts on the research and development of woodpecker medical cognition aPaaS, we are also in the process of developing our Smart Medical Cloud given that aPaaS infrastructure is the basis for the development and cultivation of SaaS products. As at the Latest Practicable Date, we had successfully developed certain modules under the name "Woodpecker Clinic". See "—Our Business Segment—SaaS—Smart Medical Cloud" in this section. Our Smart Medical Cloud is expected to be equipped with the following features: (i) it will support automated treatment follow-up management for doctors which facilitates the formulation and implementation of the treatment follow-up plan in accordance with the situation of each patient, including automatically requiring relevant health metrics from the patients, alerting the doctors to the changes of the patients' situation and sending automated reminders for the online follow-up with the patients; (ii) it will support the patient relationship management based on patient profile and healthcare metrics analysis; (iii) it will enable the construction of a standardized electronic directory of patients' medical records; (iv) it will support the doctors to review the complete medical records of the patients according to the time axis and support the patients to obtain intelligent diagnosis navigation; and (v) it will be AI-enabled and is supported by our AI-aPaaS application module and knowledge graphs.
- **Life science solution aPaaS.** As at the Latest Practicable Date, we were in the process of research and development of our life science solution aPaaS which aims to digitalize the new drug research and development process of the medical product manufacturers, and we had completed approximately 10% of the research and development project. Our life science solution aPaaS aims to provide AI-based gene and protein bioinformatics tools such as gene sequence alignment tools and protein spatial structure prediction tools, as well as a complex biomedical knowledge graph (such as gene-target-disease-drug) and graph reasoning tools to assist in new drug discovery. Meanwhile, our life science solution aPaaS will provide data integration and governance tools, ePRO tools and statistical analysis tools at the clinical level to support clinical trials and real-world studies. Medical product manufacturers and scientific research institutions are expected to quickly acquire and assemble the required capabilities through our life science solution aPaaS without the underlying research and development, thereby improving efficiency and promoting innovation. See "Future Plans and [REDACTED]" in this document.

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- ***Sinohealth Cloud.*** Going forward, on the basis of the capability of our Sinohealth Engine which is currently an internal technology middleware, we intend to develop and re-assemble its functions with a view to enabling it as a cloud platform that is able to directly provide clients with digital transformation solutions and products. aPaaS application and SaaS are expected to be the core layer and upper layer, respectively, of such solutions and products which are expected to be arranged in accordance with the unique characteristics in the healthcare industry. Our clients will benefit from the flexibility of the mix of our aPaaS and SaaS solutions and products which can be adaptable to various application scenarios and business functions in the healthcare industry.

OUR TECHNOLOGIES AND BIG DATA

Our Technologies

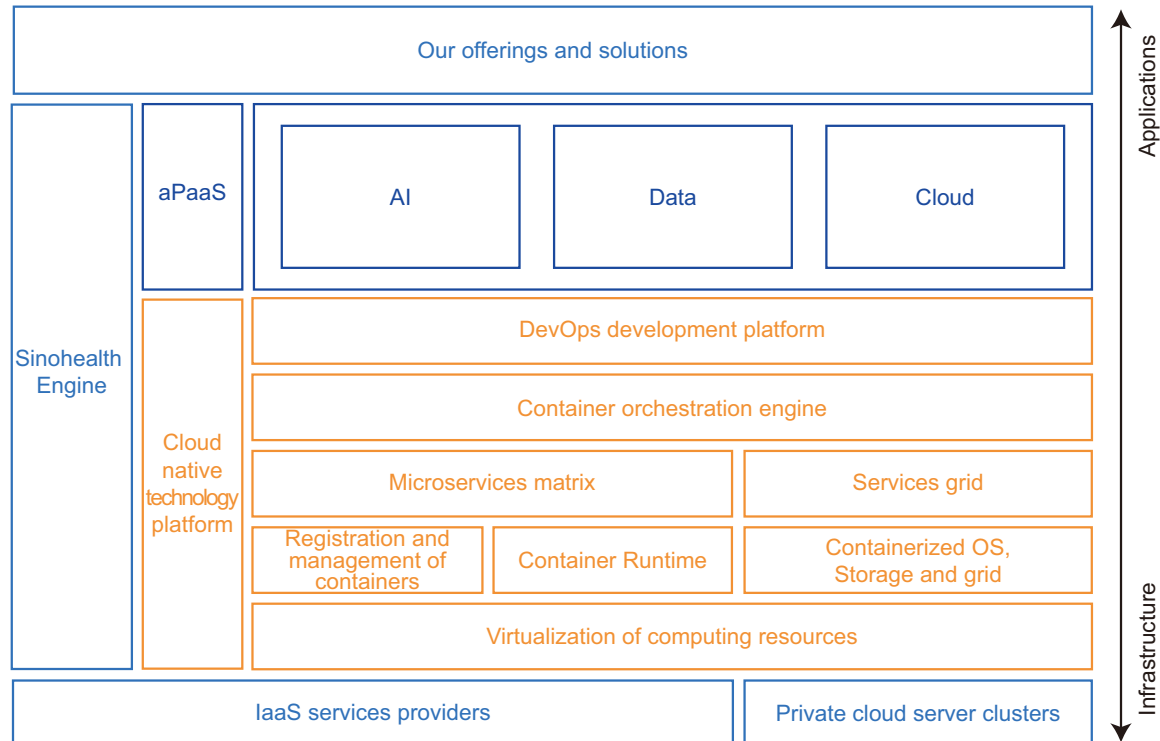
We have established our technology middleware, Sinohealth Engine, based on our cloud-native technology that provides internal support to all of our business segments, namely, Data Insight Solutions, Data-driven Publications and Events and SaaS offerings. Our Sinohealth Engine enables us to quickly call various technologies for use in our solutions and products and streamline the development process by eliminating duplication of developing commonly used technologies.

Sinohealth Engine is a scalable application and management platform with an open architecture which can continuously integrate and accumulate application modules and technologies. It comprises isolated “containers” where microservices, namely, our well-developed technologies such as programs and processes or SaaS components, are packaged and isolated in each container. These well-developed technologies are generally developed by our Big Data & AI Lab. Each container supports a main application module as different microservices are packaged together. We then integrate several containers that support the same application module into a whole and deploy it as one aPaaS in our middleware. In this context, we have three main application modules, AI-aPaaS, Data-aPaaS, and Cloud-aPaaS, which respectively support our capabilities in AI, big data and technology development. In other words, technologies that serve a similar function are categorized into one group and are assembled together as an aPaaS application module. In this way, we are able to quickly provide our offerings by simply selecting and integrating the microservices that we want which makes them more cost-effective to develop. Sinohealth Engine acts as a bridge between our technologies and offerings which significantly improves development efficiency.

We utilize the microservices contained in our Sinohealth Engine such as programs, processes and models to customize our Data Insight Solutions and Data-driven Publications and Events offerings in a quick and cost-effective manner. For our SaaS products, we directly deploy the targeted microservices and tailor them to the needs of new products.

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The following diagram illustrates the infrastructure of our Sinohealth Engine and its key components:



The following describes further the three main application modules in our Sinohealth Engine:

- Cloud-aPaaS.** We have established a technology chain based on cloud native technology, which improves our flexibility, maintainability and our ability to scale. For example, our cloud native technology is adaptable to the public cloud, private clouds and hybrid clouds and can be applied to a variety of different application scenarios which allows us to invoke the microservices in our aPaaS modules without the need to configure for different cloud environments. Moreover, we are able to eliminate the costs for maintaining our platforms by deploying cloud native technology.
- Data-aPaaS.** Our big data technology includes big data technology platform, data governance and data analysis related technological capabilities: (i) for our big data technology platform, we have built our data warehouse “Tiangong No.1” as well as established online analytical processing and data visualization system to help us with data insights and more efficient services to clients; (ii) we have a complete data governance system and data model established upon our industry understanding; and (iii) for data analytics, we have developed a data analysis aPaaS based on our data analysis models formed after serving a large number of clients. In relation to (i), (ii) and (iii) above, see “—Our Technologies and Big Data—Big Data” in this section.

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- AI-aPaaS.** We have established a technical process and application process of AI technology, which mainly includes machine learning, natural language processing, knowledge graphs and computer vision technologies. Based on the AI-aPaaS, our program engineers are able to use container technology to quickly deploy deep learning environment and conduct model training. In terms of natural language processing, we have used a number of layers of deep neural network model to analyze the medical literature. For knowledge graphs and computing, we have established a knowledge engine tool to enable calculation of medical evidence. For computer vision, we have utilized an optical character recognition model for the healthcare industry and a deep learning model of medical image data analysis.

The following tables summarize the technologies we normally use and apply in each business segment:

	SaaS					
	Data Insight Solutions	Data-driven Publications and Events	Smart Decision Cloud	Smart Retail Cloud	Smart Health Management Cloud	Smart Medical Cloud
Use of technologies:						
Data processing technologies	✓	✓	✓	✓	✓	✓
Data analytics models	✓	✓	✓	✓		
Data visualization system	✓	✓	✓	✓		
Machine learning programs	✓	✓	✓	✓	✓	✓
Knowledge graphs					✓	✓
Computer vision technologies (including optical character recognition)					✓	✓
Natural language processing						✓

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SaaS

	Data Insights Solutions	Data-driven Publications and Events	Smart Decision Cloud	Smart Retail Cloud	Smart Health Management Cloud	Smart Medical Cloud
Application:						
	<p>We use machine learning programs to enhance our data cleansing and standardization efficiency, which in turn shorten the cycle of data analytics. At the same time, our data analytics capabilities support the need of analyzing our voluminous data, including comparison and statistical analysis. Lastly, we use our data visualization system to present the results of our data analysis and models to our clients.</p>	<p>See the application of technologies in our Data Insight Solutions which is similarly applied in our Data-driven Publications and Events.</p> <p>Further, our Healthcare Link provides support to the operation of our Industry Events.</p>	<p>See the application of technologies in our Data Insight Solutions which is similarly applied in our Smart Decision Cloud offerings.</p> <p>The key difference with our Data Insights Solutions is that we have already assembled the relevant technologies in our SaaS products based on pre-determined product design after considering the business scenarios. Our Smart Decision Cloud users activate the relevant technology modules which provide services when they use our SaaS products.</p>	<p>The application method is similar to Smart Decision Cloud.</p> <p>The key difference is that Smart Retail Cloud uses different technologies in our Cloud-aPaaS and Data-aPaaS when delivering the services based on different business needs.</p>	<p>Data processing technologies are applied to process and standardize physical examination data, which are then analyzed in the knowledge graphs constructed by us and produce the analysis results.</p> <p>Like other SaaS products, the necessary technologies have already been assembled in a package and can be connected to our clients through API.</p> <p>In some cases where we do not obtain digitalized physical examination data, we use optical character recognition model to identify and structuralize those data.</p>	<p>We use natural language processing to accelerate the analysis of medical literature, and combined with our data processing technologies to construct the medical knowledge graphs.</p> <p>In our clinical decision support system, the above technologies can explain and structuralize the medical report data so as to provide recommendation on diagnosis and treatment. Certain medical graphs can be explained through the analytical model of computer vision technologies.</p> <p>Like other SaaS products, the necessary technologies have already been assembled in a package and can be connected to our clients through API.</p>

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Big Data

We consider our big data capability our valuable strength, which helps us strengthen our market position. We emphasize on the volume and velocity, dimensions as well as the variety of our big data. The unique nature of the healthcare industry requires higher standards of data quality, quantity and timeliness. As a result, our big data is built upon industry-specific strategies.

In order to consolidate and better manage the big data we have collected and stored in different information systems to generate greater data value, we have built a data storage system "Tiangong No.1", a data warehouse in Sinohealth Engine, to improve our data processing capabilities and ensure accurate, consistent and efficient data analytics and timeliness of our data insights. Within our Tiangong No.1 data warehouse, (i) we have created systematic data collection paths for our CMH partnering pharmacies and SIC users respectively, which enables the relevant information contained in the raw data to correspond with each category defined in our database upon data collection and therefore shortens the time required for data collection and standardization; (ii) we have established an automatic data cleansing system, which enhances our efficiency in cleansing raw data while reducing human error; (iii) we have developed statistical inference method with standardized models that requires less manual effort for maintenance and enables automatic detection of abnormal data; and (iv) we are able to build various data layers based on the subdivision of data collection background (e.g., location, nature of the partnering pharmacies) and to group sample data with similar retail background into the same layer for statistical inference, which strengthens the data granularity and improves the accuracy of our inferred data that reflects the market performance. By leveraging our Tiangong No.1 data warehouse, the period of time between the date of the relevant raw data and the delivery of corresponding data insights to our clients has been reduced from 45 days to 35 days.

Our master databases comprise standardized databases that can be used as indexes and describe the core attributes of various information in the healthcare industry, and they are established mainly with reference to official sources published by government authorities. Our master data is mainly collected from officially published information which is processed, converted and cross-referenced as general standard data. Our retail market database mainly refers to retail data we collect from our partnering pharmacies, including store location, manufacturer, product specification, unit, dosage form, sales volume, retail price, production approval number, bar code, utilization of national medical insurance scheme, transaction number, transaction time and payment method. Our data analytics are based on the combination and interaction between master data and retail market data.

Data Sources and Data Collection

We began strategically with a focus on retail market which we believe reflected the actual demand for, and inventory of, prescription medicine, non-prescription medicine, medical devices and healthcare products. In order to obtain first-hand, real-world and up-to-date retail big data, we established a national network through cooperation with retail pharmacies that operate physical stores or both physical and online stores for data collection. Our initial batch of pharmacies on board were primarily those that operated in certain cities across the nation and were representative in terms of geographic location and consumer traffic based on our prior onsite due diligence. We then scaled up and expanded our partnering pharmacy network step by step. As at the Latest Practicable Date, the stores of our partnering pharmacies covered 29 provinces and 299 cities while approximately 10.8% of our partnering pharmacies were major chain pharmacies which record a revenue of more than RMB0.2 billion per year based on our

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estimation. Our network of partnering pharmacies provides us with a solid foundation of data capability and enables us to continuously evolve. As at the Latest Practicable Date, we had also developed 38 master databases including product and merchant database, enterprise and institution database, practitioner database, disease and symptom database and examination and detection database through public resources and subscriptions.

For the years ended 31 December 2019, 2020 and 2021, our costs incurred for data collection amounted to approximately RMB2.0 million, RMB3.5 million and RMB6.3 million, respectively.

The following table summarizes our data source, types of big data collected and scope of authorization.

Data source	Key data collected	Scope of authorization
Retail pharmacies which enter into CMH Cooperation Agreements and Non-disclosure Agreements with us	Retail data	We are authorized to process and use the data collected for our provision of relevant solutions and products provided that (i) such data cannot be linked to or cause a particular store to be identifiable; (ii) our data insights do not in any way disclose names of the partnering pharmacies or any information that could be linked to or cause a retail pharmacy to be identifiable; and (iii) we will not provide raw data to third parties.
Retail pharmacies which are our SIC users	Store management data (i.e., store location and inventory), retail data and de-identified member data	We are authorized to process and use the data collected for our provision of relevant solutions and products provided that (i) we de-identify data regarding names and address of the pharmacies, membership card number and other relevant data of individuals; and (ii) we do not provide raw data to third parties.
Industry Events (Healthcare Link)	Information of event participants	We are authorized to collect, process, use, store certain personal data provided by event participants, such as name, phone number, gender, employer and position only for the purpose of legitimacy, rightfulness and necessity.

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Data source	Key data collected	Scope of authorization
Public resources and subscriptions (e.g., the official websites of the National Medical Products Administration, the National Healthcare Security Administration and the National Health Commission) . .	Data include national licensing number, name, specifications, manufacturer and category of medical products, company registration information of pharmacies, medical services providers and manufacturers, disease treatment effectiveness, registration and licensing information of medical practitioners and governmental approvals, notices and policies relating to medical products and healthcare industry	N/A

We enter into CMH Cooperation Agreements and Non-disclosure Agreements with retail pharmacies for data cooperation. Under these agreements, we typically agree to provide under our business segment of Data Insight Solutions, the medical product retail report for a fee (where applicable) which mainly covers sales volume, market size and sales increase rate by medical product, brand and city on a monthly basis, while the partnering pharmacies agree to provide us with their monthly retail data for a fee (where applicable) including store code, store name and address, manufacturer, product specification, unit, dosage form, sales volume, retail price, production approval number, bar code and utilization of medical insurance scheme. These data are uploaded to our data collection platform and then interfaced and stored in our Tiangong No.1 data warehouse. We own the intellectual property rights of our reports and we undertake that our reports are free from infringements of the intellectual property rights of third parties. We also undertake to keep raw data confidential. Our partnering pharmacies warrant that they have the right to provide us with the specified sets of data and authorize us to use such data for designated purposes (including data analytics, production and offering of data insights, program and process construction and upgrade as well as other legal and reasonable internal development and utilization) without consent of any third parties. Our partnering pharmacies are not allowed to disclose our reports to third parties. Our CMH Cooperation Agreements and Non-disclosure Agreements are generally renewed on an annual basis.

Our SIC users are connected to our cloud platform after installation, which enables us to retrieve de-identified raw data within a pre-agreed scope. Before using our SIC products, our SIC users are required to enter into our SIC Services Agreements. Pursuant to the SIC Services Agreements, our SIC users agree that we are allowed to collect and manage data, conduct data analysis, produce and provide output of data insights which do not require consent of any third parties. Our SIC users have maintained member service agreements with the consumers who are their store members, informed them of the purposes, methods and scope of collecting, using and sharing their information and obtained their consent. When we use data provided by SIC users, we are required to de-identify such data and are bound by confidentiality. These data are transported to a specific database which is then interfaced and stored in our Tiangong No.1 data warehouse. Raw data are exported to SIC by our SIC users from their own sales systems which are compatible with and can be integrated with our SIC. We are able to automatically synchronize with SIC on a daily basis. The retail data collected from our SIC users are on per

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retail sales transaction basis. These retail data contain store code, store name and address, manufacturer, product specification, unit, dosage form, sales volume, retail price, production approval number, bar code, utilization of national medical insurance scheme, transaction number, transaction time and payment method. For the month ended 31 December 2021, the total number of retail sales entries we collected through our SIC to retrieve retail data was approximately 137 million. Our de-identified member data contain the membership card number, age and gender of the members, which correspond to their purchase records (i.e. the retail data). Based on the de-identified member data and the associated retail data, we conduct our consumer portrait analysis, such as the purchase frequency and preference, for the provision of our solutions. Our SIC Services Agreements do not specify a contract term and remain effective until they are suspended or terminated. See “—Our Business Segments—Smart Retail Cloud” in this section.

These arrangements are crucial to our big data construction. For the year ended 31 December 2021, data collected from our partnering pharmacies constituted more than 2.7 billion data entries stored in our Tiangong No.1 data warehouse, among which, over 80% was collected from our SIC users on a daily basis and the remaining was collected pursuant to the CMH Cooperation Agreements and Non-disclosure Agreements on a monthly basis. Our partnering pharmacies increased from 496 as at 31 December 2019, 759 as at 31 December 2020 and further to 1,072 as at 31 December 2021, while the retail pharmacy stores covered increased from 25,157 as at 31 December 2019, 37,703 as at 31 December 2020 and further to 52,882 as at 31 December 2021. As at the Latest Practicable Date, our partnering pharmacies covered 63,234 stores in 29 provinces and 299 cities, accounting for approximately 11.4% of the total number of pharmacy stores in China in 2020, which was approximately 554,000, according to the National Medical Products Administration, while approximately 10.8% of our partnering pharmacies were major chain pharmacies that record a revenue of more than RMB0.2 billion per year based on our estimation. According to the iResearch Report, as at 31 December 2020, the GMV of our partnering pharmacies was approximately RMB46.1 billion, accounting for approximately 10.5% of that of China’s total retail pharmacies in 2020. Retail pharmacies correspond with the out-of-hospital circulation of drugs and equipment, which, according to the iResearch Report, is expected to continue increasing as a percentage of the total circulation of drugs and equipment. In 2020 and 2021, out-of-hospital circulation of drugs and equipment accounted for approximately 37.5% and 38.9% of the total circulation of drugs and equipment market in China, respectively.

The following table sets forth a breakdown of our partnering pharmacies as at the dates indicated.

	As at 31 December						As at the Latest Practicable Date	
	2019		2020		2021		Number of retail pharmacies	Number of stores
	Number of retail pharmacies	Number of stores	Number of retail pharmacies	Number of stores	Number of retail pharmacies	Number of stores		
Based on CMH Cooperation Agreements and Non-disclosure Agreements	66	4,865	95	7,523	136	8,945	151	12,261
Based on SIC Services Agreements	430	20,292	664	30,180	936	43,937	1,106	50,973
Total⁽¹⁾	496	25,157	759	37,703	1,072	52,882	1,257	63,234

Notes:

(1) As at 31 December 2021 and the Latest Practicable Date, the number of the stores of our partnering pharmacies accounted for approximately 9.5% and 11.4% of the total number of pharmacy stores in China in 2020 according to the National Medical Products Administration.

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Data Governance

Our Sinohealth Engine provides technological support to our data governance. We have designated employees who focus on data governance, AI programs design and development, as well as technology maintenance. Most of our data governance is devoted to data cleansing, identifying usable data and connecting and integrating the right data. In recognition of our big data capabilities, we are on the 2020 Big Data Enterprise Panel List issued by Guangzhou Municipal Industry and Information Technology Bureau in December 2020. Our data governance, including data classification, data processing and policy enforcement, is designed with an industry-specific focus.

Data Classification and Standardization

We formulate and implement our data classification and quality rules to ensure the consistency in data sourcing, data standardization and to apply sensitivity controls. Such rules include:

- data availability — instructions and requirements from us to our partnering pharmacies regarding mandatory and optional data items, categories, levels of details and de-identifications. Our partnering pharmacies de-identify data before providing it to us. We will check whether the raw data includes personal and private information. We strictly follow our de-identification standard that is set based on Information Security Technology—Guide for De-Identifying Personal Information (GB/T 37964-2019) (《信息安全技術個人信息去標識化指南》), the Information Security Technology—Personal Information Security Guidelines (《信息安全技術—個人信息安全規範》), Cybersecurity Law and other applicable laws and regulations.
- data quality and standardization — our coding and classification rules which are formulated in accordance with official references including (i) the Naming Principles for Chinese Approved Drug Names (《中國藥品通用名稱命名原則》) and Pharmacopoeia of the People's Republic of China (《中華人民共和國藥典》) issued by Pharmacopoeia Commission of People's Republic of China; (ii) The Catalogue of China's Marketed Drugs (《中國上市藥品目錄集》) issued by the China Food and Drug Administration, being the predecessor to the National Medical Products Administration; and (iii) drug data enquiry through the National Medical Products Administration, with the involvement of our data quality and standardization team which consists of our talents with both healthcare and IT expertise. As at the Latest Practicable Date, there were 14 dimensions in our coding and classification rules, including medicine category, standardized unit, manufacturer, packaging unit and material, which are intended to cover diversified forms of medical products.
- data granularity — we require that our data is denoted down to the smallest unit and is identifiable to the active constituent to ensure the richness and diversity of our data labels. We require that our data is sourced, processed and stored to the most detailed level, which enables us to aggregate and disaggregate granular data to meet the needs of different application scenarios and derive the highest analytic value for future analysis. As the data becomes more subdivided and specific, it is also considered more granular. These rules also apply to data storage which has more subdivided fields for the analytics use.

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- data identification procedure — our data governance platform guide aims to capture all scenarios and possible variations of how data is written in the real-world in order to streamline and standardize the data process. For example, we apply a set of hierarchy in the process of data identification and cross-check with existing data — first, we identify specification, name of merchandise and manufacturer. If we are unable to categorize a specific piece of data based on the above, we then check on the bar code. In the event that any inconsistency is identified, the next resort is the official governmental approval number which is issued by the governmental authority.

Based on the raw data acquired from our data sources which could be structured or unstructured, our system updates our master and retail market databases once new data is uploaded, creating new sets of data and/or supplementing existing data sets. Meanwhile, we conduct coding and tagging throughout our system which thereby enrich our data warehouse.

Data Processing

Clean data lays an important foundation to our data analytics and is crucial to achieve an outcome from machine learning capabilities. In December 2018, we received a Certificate of Computer Software Copyright Registration (計算器軟件著作權登記證書) issued by National Copyright Administration of the PRC (中華人民共和國國家版權局) for our Data Cleansing System based on Deep Learning.

Our goal of data cleansing is to standardize unstructured data to structured data. We observe the unique characteristics and business processes in the healthcare industry during our data processing. Over 98% of our data processing on average is obtained through machine processing, enhancing our efficiency while reducing human error. With our AI technologies, we are able to optimize our data processing efficiency.

Quality Control

As at the Latest Practicable Date, our data quality control team consisted of 51 members who were familiar with the data used in the healthcare industry. We strictly implement our data governance policies to ensure the quality of our big data (availability, validity, consistency, accuracy, timeliness and uniqueness), proper big data administration and compliance with de-identification requirements and other relevant laws and regulations.

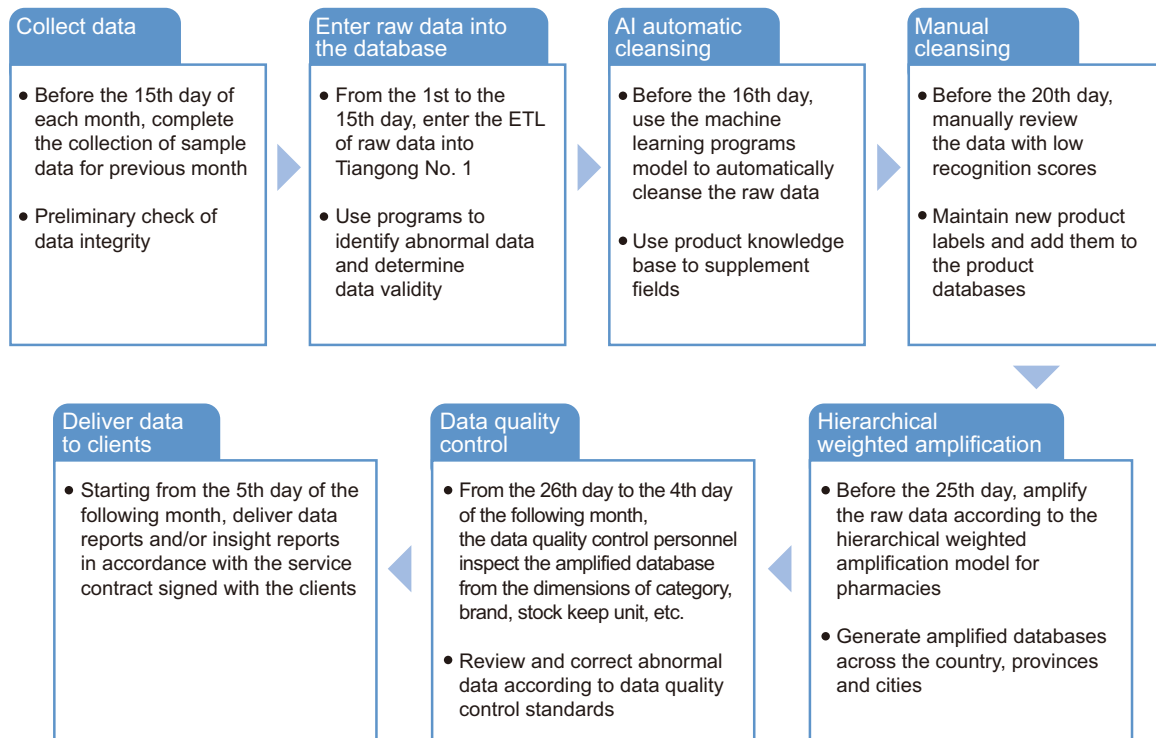
We harmonize data classification and standardization throughout our systems. In addition, we have developed strong capability of data checks and controls to establish data lineage (i.e., we are able to provide visibility of data location, volume and tagging and to track flow of data within our systems), which further enables us to fix bad data more easily.

We have designed and developed programs and metrics to automatically detect anomalous data and possible errors. We utilize AI technologies including machine learning to enhance our quality control. Our key quality control steps include (i) core brand data cross-check through comparing data of the same dimension including average price, price movement and location. For example, we are able to spot a problem if the unit price of a drug in a small volume is higher than that of the same brand but in a bigger volume; (ii) general quality control procedure through

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cross-checking unit price, sales volume and market penetration rate; and (iii) overall assessment through checking deviation from data of an amplified layer. In addition, we conduct site visits from time to time and gather first-hand information of the neighborhood, consumer traffic and actual operations of the offline pharmacies. We also gather feedback from our clients in relation to the accuracy and completeness of our data insights.

The following chart illustrates the major data governance procedures for data obtained from our partnering pharmacies.



Data Analytics

After data cleansing, our big data is processed to derive data analytics, which are then used to generate actionable insights. We offer support to a vertical healthcare industry chain of medical treatment, medicine and related supplies, patient education and health management.

We provide clients with an opportunity to interact with data via visualizations such as dashboards that structure data to deliver analysis of medical products, such as averages, ratios and percentages. The small granularity of our big data allows us to aggregate data in order to report a more in-depth result, search for a pattern and find relationships between variables. We design assumptions and data is queried to attest to that relationship.

Further, as more healthcare big data is processed, data analysis capabilities of our models improve our accuracy and efficiency. Predictions are based on historical data and rely on our past records to test data, validate patterns, create and test assumptions. Our predictive insights derived from data analytics add value to our clients because they can help predict marketing effectiveness and provide basis for decision-making regarding brand competitiveness, market potential and target consumers.

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Data Security and Privacy

We are committed to protecting our databases and systems, as well as the information and privacy of clients, users and other participants on our platforms. Our policies place strong emphasis on complying with national standards required by the applicable PRC laws and regulations relating to cyber security and personal data. We have developed and implemented comprehensive internal policies and measures to standardize the handling and management of our data to ensure the security, confidentiality and integrity of the data we gain access to and the stability and reliability of our solutions and products, and to ensure user privacy and data security and to comply with applicable cybersecurity and data privacy laws and regulations. Details of these measures include:

- **Security and system certification.** Our architecture, system and platform which are used for our solutions and products have obtained Grade 3 Information System Security Graded Protection Certification from Guangzhou Municipal Public Security Bureau, and therefore, as advised by our PRC Legal Advisers, all of the databases used for our solutions and products have satisfied the requirements under Grade 3 Information System Security Graded Protection Certification. As advised by our PRC Legal Advisers, since the operating entities of our information systems are established and registered in Guangzhou, according to the Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》), Guangzhou Municipal Public Security Bureau is the only competent authority to grant the certification. Pursuant to the Administrative Measures for the Graded Protection of Information Security (《信息安全等級保護管理辦法》) and the Guidelines for Grading of Classified Protection of Cyber Security in Information Security Technology (《信息安全技術網絡安全等級保護定級指南》) (GB/T22240-2020), the operator of an information system shall determine the security protection grade of the information system, and report the grade to the relevant department for examination and approval. The grading of the classified protection of the information systems are determined based on two elements, namely what can be affected and how serious the consequences would be, if the information systems are damaged. This grading is determined by stringent evaluation of the level of protection, security, and other technical and security management requirements such as security auditing and confidentiality of communications. Grade 3 Information System Security Graded Protection Certification is the highest recognized level of certification for non-bank institutions. It demonstrates our capabilities in information and infrastructure security, in particular, that our technical solutions and security management have satisfied the strictest national criteria of information system protection for non-bank institutions in all requested aspects, including but not limited to (i) the physical environment (such as our server room in Guangzhou where the servers of our Tiangong No.1 data warehouse operate); (ii) communication network (such as wide area network, local area network); (iii) network border (such as network port, communications link); (iv) internal network environment (such as router, firewall, server); and (v) data protection (in respect of our communication and storage of all data that are used for our solutions and products including those collected from our nationwide network of partnering pharmacies). Also, our Sinohealth Jianshu has been appraised at CMMI Maturity Level 3 of the Capability Maturity Model Integration for Development (Staged), Version 2.0 which is effective until 5 February 2024. It demonstrates that our software center has formulated a standard internal procedure and established an integrated system to proactively improve the software development and maintenance.
- **Infrastructure stability and security.** Our policies set out comprehensive security precautions to ensure the stability and security of our infrastructure and data. To implement our policies, we have constructed our internal network in accordance with

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design principles to satisfy the need for high performance, high scalability, high reliability, and ease of maintenance. Our internal network is also divided in different areas based on security considerations, such as areas for our databases, general office, secure desktop, and storage, and each area is guarded by 24/7 security and protected by a firewall and a layer 3 switch. The server, databases, and core firewall are also physically separated from other areas in the server room, which can only be accessed by authorized IT administrators. We perform daily backups of all our operating data using an enterprise-level data protection software product that unifies and automates backup across physical and virtual environments for disaster recovery. We have a protocol for operation and maintenance management, monitor and alert mechanisms, network security management and disaster recovery. We have established a designated emergency unit, escalation protocol and business continuity mechanism in case of any major catastrophic event, including natural or unnatural disasters that could lead to various business interruptions, such as power failure, network failure, or server power outages. The designated emergency unit is responsible for reviewing the implementation of the business continuity mechanism after the occurrence of a major catastrophic event and providing findings and recommendations.

- **Data security architecture, network security and management.** To implement our data stability policy, our large database is stored on a closed platform environment that we created and is disconnected from the external internet. We believe this private cloud environment enables us to have the control, security, flexibility and isolation required for our business, while also allowing more control over access and usage of our solutions and products. The risk of external unauthorized access or attacks is further reduced by use of firewalls, IP whitelists, and a bastion host. We have also implemented advanced logging and monitoring, data encryption, regular security audits and other mechanisms to ensure proper recording of data operation and compliance with national data security standards. There are four different security levels for different types of data on the platform, and the database can only be accessed by certain designated and authorized personnel after assessment and approval procedures, whose actions are recorded and monitored correspondingly. Applications are reviewed first by a direct supervisor, which is followed by a review by responsible vice presidents in the business departments and subsequently by heads of data security. We also store our processed data in the self-constructed private cloud.
- **Vetting integrity and quality of data from external sources.** Our data governance policies require any data that has been identified as abnormal through our programs must be reviewed manually before it is used. In some cases, we may contact the partnering pharmacies to examine whether there were any issues with the source or if input had been altered manually prior to the data being provided to us. We maintain our own data platform that is separate from those of our clients and research partners.
- **De-identification technology.** Our partnering pharmacies de-identify their data before it is exported into our database. We further apply our de-identification technology to the data we collect from each of our partnering pharmacies, including those who enter into the CMH Cooperation Agreements and Non-Disclosure Agreements or are our SIC users. Our de-identification technology meets the national standards in dealing with personal information, which allows for encryption or deletion of personally identifiable information, including names, addresses, phone numbers, ID numbers, email addresses, in accordance with the Network Security Law of the People's Republic of China, the Guide for De-identifying Personal Information in Information Security Technology (GB/T 37964-2019) (《信息安全技術個人信息去標識化指南》) and other applicable Chinese laws and regulations. We will generate a serial

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number for each individual by irreversibly encrypting the identification information field, which will be used as the individual's master index or main identifier and does not contain any personally identifiable information. De-identified data is indexed using these numbers instead of personally identifiable information, and as this transformation cannot be decrypted or reversed, it is not possible to retrieve the personally identifiable information through the de-identified data. In addition to the personally identifiable information, we also apply our de-identification technology to ensure the encryption of any information that can be linked to or cause a particular store to be identifiable, in accordance with the CMH Cooperation Agreements and Non-Disclosure Agreements, and the SIC Services Agreements.

- ***Internal control over data access and usage.*** Our internal control protocols cover the full lifecycle of data processing including data collection, data quality management, data encryption and transportation, data storage security, data backup and recovery, data processing and analytics, proper use of data, data destruction and disposition. We manage access to personal data based on strict necessity and maintain records of data access. We require all our employees to attend regular trainings, comply with our internal policies and protect privacy and personal information, and we strictly prohibit unauthorized or improper collection or use of such data or personal information.

As at the Latest Practicable Date, we engaged 56 employees (including the entire data quality control team and five members of our research and development team) to ensure data security, most of whom had related experience of over five years. We also engaged our legal department, which comprised four employees with an average legal experience of approximately nine years, to ensure our compliance with the national standards required by the applicable PRC laws and regulations relating to cyber security and personal data.

During Track Record Period and up to the Latest Practicable Date, we had not been ordered to make any rectification or imposed any other administrative penalties by the CAC, and there had not been any actual or potential impact of the recent halt by CAC in relation to user data collection practices on our operations as we were not the subject of the halt or rectification requests that mainly targeted companies operating apps for individual users and our operations generally served corporate clients during the Track Record Period.

View of our PRC Legal Advisers

Our PRC Legal Advisers, after reviewing relevant agreements and policies provided by us and based our confirmation on certain facts relating to our operation, are of the view that our operation is in compliance with all the applicable PRC laws and regulations governing data protection and privacy including the PIP Law and the Data Security Law in all material respects, based on the facts as set out above and the following:

- ***For retail data provided by retail pharmacies to our CMH and SIC systems.*** Pursuant to the CMH Cooperation Agreements and Non-disclosure Agreements, we enter into with retail pharmacies for data cooperation, those pharmacies agree to provide us with their retail data on a regular basis. Also, each of our SIC users, before using our SIC, is required to enter into our SIC Services Agreements. Pursuant to the SIC Services Agreements, our SIC users agree that we are allowed to collect and manage data, conduct data analysis for the purpose of serving the healthcare retail industry. During Track Record Period, we had not violated the relevant provisions of these agreements.

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- ***For de-identified members data provided by SIC users.*** Our SIC users which provide their member data to us have maintained member service agreements, inform the consumers of the purposes, methods and scope of collecting, using and sharing their information and obtained the consumers' consent when they decide to become members of our SIC users. Pursuant to the SIC Services Agreements, each of our SIC users is required to agree before using our SIC products that we are allowed to collect, manage, analyze and use the data they provide to us in our products for the purpose of serving the medical retail industry provided that we de-identified such data. As the receiving party of the de-identified member data, we further de-identify these data, and process these data in consistent with the purpose, method and information types prescribed under the SIC Services Agreements. During Track Record Period, we had not violated the relevant provisions of the SIC Services Agreements.
- ***For certain information of physical examination report provided by AI-MDT clients.*** We are entrusted by the data owners, our AI-MDT clients (the private medical examination institution) to process information extracted from physical examination reports of the individuals who receive physical examination conducted by our AI-MDT clients. We do not collect or store personal information and examination reports on our servers. We process the data strictly in accordance with the purposes and methods specified in the agreements between AI-MDT clients and us, and we do not use such data for any other purpose which is not agreed upon in such agreements or provide such data to any third party without authorization of AI-MDT clients.
- ***For personal information provided by event participants.*** In our Data-driven Publications and Events business, we collect, store, process and analyze certain personal information of event participants in operating Industry Events through Healthcare Link upon their authorization. We have maintained personal information protection policy, including (i) informing the users of our purposes, methods and scope of collecting and using their personal information and obtained the users' consent; (ii) providing convenient ways for users to withdraw the consent; (iii) obtaining the users' consent if we will provide any parties with the personal information we processed; (iv) providing ways for the users to consult and duplicate their personal information; and (v) providing ways for the users to request us to correct or supplement relevant information if their personal information is incorrect or incomplete. We do not use the data for any purpose that has not been consented to by the users or is not necessary for our service provision to the users.
- ***For the information we collect from public resources.*** We do not use special internet methods or technologies to collect these information that is not public in accordance with laws and regulations or requires pre-procedures or special permission.
- ***Other data security and privacy measures.*** We have (i) established and developed relevant internal control measures, internal management rules and operating rules of personal information protection, such as rules relating to data security education and training, risk assessment, and emergency response plans for personal information security incidents; and (ii) taken necessary measures, such as encryption and

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de-identification, and classification management, to protect information security in relation to the collection, processing, use and provision of relevant data. See “—Big Data—Data Security and Privacy” in this section. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any penalties for violation of laws and regulations concerning personal information protection.

Based on the above, our Directors are also of the view that during the Track Record Period and up to the Latest Practicable Date, our operations were in compliance with all applicable PRC laws and regulations governing data protection and privacy including the PIP Law and the Data Security Law in all material respects.

HEALTHCARE INDUSTRY PARTICIPANT NETWORKS

Our Healthcare Industry Participant Networks refer to our well-recognized Industry Events and Media Channels, which enable interaction and dialogs amongst a wide range of industry participants such as pharmacies, medical product manufacturers, investment institutions, experts and media, assisting our clients in promoting their brands and products. Meanwhile, through our Healthcare Industry Participant Networks we are able to establish network with industry participants, promote our solutions and products and further implement precise connection for our clients during the provision of our solutions and products within our Data-driven Marketing Solutions and Data-driven Publications and Events.

Industry Events

Our Industry Events consist of the Industry Prospect Events, Merchandise Trading Events, Retail Sales Events, as well as other events in smaller scale we organize throughout the year:

- **Industry Prospect Event.** The Industry Prospect Event is our flagship event. It is a sizable and influential event focusing on industry prospects and is of high standard. It aims to provide industry participants with precise connection with their potential business partners and investors through speeches, exhibitions and other networking activities. The Industry Prospect Event focuses on latest industry reform and development and provides attendees with an understanding on the market prospect and business expansion strategies accordingly. Attendees of our Industry Prospect Events are primarily senior management and executives of medical product manufacturers, major retail pharmacies, investment institutions, etc, covering a wide range of healthcare industry participants. During the Track Record Period, we had over 300 speakers for each Industry Prospect Event including academic and business pioneers in healthcare industry, researchers from national healthcare institutions, as well as executives of investment institutions and technology companies, so as to provide the attendees with a multi-angle interpretation on the industry’s situation and prospects. Our Industry Prospect Events provide “decision-making” and “connection” support to participants underpinned by cooperation, innovation, technology, research and capital. It is hosted annually in Qionghai, Hainan province with an average number of core attendees of over 2,600. As at the Latest Practicable Date, we had successfully hosted 14 Industry Prospect Events.

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- **Merchandise Trading Event.** Our Merchandise Trading Event is a sizable and influential healthcare merchandise trading event in China. It focuses on establishing a highly efficient supply chain for the retail markets. Our Merchandise Trading Event provides insights on the retail market development and pharmaceutical supply chain, aiming to facilitate a large number of business transactions. Attendees of our Merchandise Trading Events are primarily senior management and executives of medical product manufacturers, regional and local retail pharmacies, logistic companies, etc, which cover the healthcare industry participants that are involved in the retail supply chain. Our attendees are carefully solicited based on our big data to ensure the scale of event and that the background of attendees matches the event purpose of merchandise trading. During the event, we arrange brand promotion for medical product manufacturers so as to give the retail pharmacies an understanding on their market value. We select retail pharmacies who satisfy the retail demand of the medical product manufacturers based on our analysis on its distribution and organize one-on-one business meetings or dialogs accordingly for them to further establish business cooperation. During the Track Record Period, we engaged approximately over 100 speakers for each Merchandise Trading Event including those from well-known retail pharmacies, medical product manufacturers, consulting firms, etc. Our Merchandise Trading Event is hosted annually. The number of core attendees increased significantly from approximately 1,800 on average in each year of 2019 and 2020 to approximately 3,500 in 2021. It is mainly due to our strategic adjustment on the event positioning to engage more small scale retail pharmacies as attendees. As at the Latest Practicable Date, we had successfully hosted seven Merchandise Trading Events.
- **Retail Sales Event.** Our Retail Sales Event is a retail traffic event in the healthcare industry. Summits and conventions during our Retail Sales Events focus on the topics regarding the marketing strategies and relations between the retail pharmacies and the consumers. Attendees of our Retail Sales Events are primarily senior management and executives of retail pharmacies, marketers, major online platforms for healthcare industry and leading digital marketing providers, etc. It aims to help the medicine retail industry integrate various resources and further implement new dynamic sales models such as "online + offline" and "in store + out of store" that are more consumer-centered. During our Retail Sales Events, we engage enterprises that operate major social media or online retail channels in sharing experiences and strategies to retail pharmacies for enhancing the sales performance though online platforms. It provides a platform for interaction and dialog amongst retail pharmacies and these enterprises so as to help retail pharmacies understand the influence of online platforms on the sales of medicines and establish cooperation with social media and online retail channels to enhance their retail performance. In 2021, we engaged approximately 120 speakers for our Retail Sales Event who have considerable expertise in consumer marketing. Retail Sales Events were usually hosted twice a year with an average number of core attendees of approximately 700 for each cohort in 2019 and 2020 and approximately 1,000 in 2021. Due to our strategies of streamlining the resources and enhancing the event scale, we decided to hold our Retail Sales Event once a year since 2021. As at the Latest Practicable Date, we had successfully hosted eight Retail Sales Events.

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Media Channels

Our proprietary Media Channels, including primarily New Health World (新康界), Physician Weekly (醫師週刊), The No. 1 Pharmacy Wise (第一藥店財智) and The Pharmacy Folks (藥店人), are official online media accounts allowing publications of our proprietary media content, advertisements and interactive functions. Our Media Channels have their own unique market positionings and followers, and individually and collectively serve various purposes for our clients. For example, The No.1 Pharmacy Wise is an official account available on WeChat and Toutiao. It is a "handheld think tank" designed and developed specifically for senior management of retailers and distributors in the healthcare industry. It is a unique platform where cutting-edge industry research, hot topic analysis and retail techniques are exclusively published. It had over 171,000 followers on WeChat as at the Latest Practicable Date with over 21% frequent users, including those who are "celebrities" in the medical retail industry. Its published articles regularly recorded high views. We hire writers with deep understanding of the industry to prepare content for The No.1 Pharmacy Wise. We also use our big data in content production. The Pharmacy Folks is an account available on WeChat featuring training resources, sharing and online communications to staff of pharmacies. It had over 349,000 followers as at the Latest Practicable Date, among which approximately 34% were frequent users. It provides online training courses through a leading online video platform in the PRC to staff of pharmacies to equip them with general and specific medical knowledge and sales techniques, as well as tailor-made training programs to familiarize staff with a particular brand and its products. This training enable more productive and effective sales with lower costs. In addition, each of our New Health World and Physician Weekly that are respectively targeted to investors and medical practitioners had approximately 116,000 and 100,000 followers, respectively, as at the Latest Practicable Date. We believe that our Media Channels help both pharmacies and medical product manufacturers promote their sales and in turn achieve their business needs.

COMPETITION

According to the iResearch Report, China's healthcare insight solutions market is relatively fragmented. The low concentration benefits leading market players that are well-positioned to compete in the industry. There are approximately 800 to 1,000 companies operating in the healthcare insight solutions for medical products and channels. According to the iResearch Report, this fragmentation is expected to be temporary as smaller companies will gradually be eliminated, and high barriers to entry exist due to competition between companies in their abilities to form and leverage networks and channels, to develop and implement data technology, and to hire and retain professional and skilled talent. In terms of entry barriers for competitors to enter the market and the ability to source quality healthcare big data, companies that have accumulated more data and project experience, possess access to a more complete industry chain, retain multi-disciplinary professionals, and have big data processing technology would have substantial advantages. The healthcare insight solutions market will present a more diversified market competition pattern, and the depth, breadth, and diversification of databases will become key elements of industry competition. In addition, the network and number of medical product manufacturers served are the core area of competition of this segmented market.

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Leveraging our big data and technologies, we believe that we are positioned favorably against our competitors and other industry participants in China's healthcare insight solutions for the medical products and channels market. We obtain healthcare big data from retail pharmacies and have rich resources in medical product manufacturers. We have an absolute advantage in the number of medical product manufacturers covered. See "—Our Strengths" in this section. Our competitors may compete with us in a variety of ways, including by launching competing solutions or products, expanding their offerings or functionalities, conducting brand promotions and other marketing activities and making acquisitions. In addition, industry participants compete with us on the basis of reputation, technological capabilities, experience, service quality, and client network. Some of our competitors are large, established companies who may be better capitalized than we are. We differentiate ourselves from our competitors in China's healthcare insight solutions market by offering products based on our big data sourced from comprehensive coverage of the entire healthcare industry chain. In addition, our data processing capabilities are reflected in our average turnaround time for report deliverables for our Data Insight Solutions, which is approximately 35 to 45 days, while the industry average is generally 40 to 60 days. Compared to our competitors, our data insight reports are also prepared from a database containing a large number of sample pharmacies and relevant data, with accumulated data of over 20TB, compared to 1 to 10TB of accumulated data for an average industry player. Our automatic data cleansing rate is over 95% compared to an average of approximately 75-80% for other industry players. Our level of detail gathered for data is also more granular than other industry players, as above 80% of data we collected from retail pharmacies was at the level of individual orders, while the remaining was at the monthly summary report level as at the Latest Practicable Date. For other industry players, in general, the majority of data collected would only be at the monthly summary report level.

Large, broad and diversified databases are essential to leading healthcare insight solutions providers and differentiate the leaders from other market players. Cutting-edge technologies such as machine learning, AI and cloud computing allow healthcare insight solutions providers to continuously upgrade their data processing and analytics capabilities, leading to better value creation and more diversified offerings and application scenarios. See "Industry Overview" in this document.

INTELLECTUAL PROPERTY

We believe that our brands together with our technology, including our proprietary healthcare data processing and analytics capabilities, as well as our trademarks, copyrights, patents, domain names, know-how, other proprietary technologies, and other intellectual property rights are critical to the success of our business operations. We protect these through a combination of copyright, trademark, patent, trade secret and other intellectual property laws as well as confidentiality agreements with our employees, suppliers, clients, business and research partners and others. The agreements we enter into with our employees also provide that all inventions, developments, works of authorship and other intellectual properties created by them during the course of their employment are our property.

As at the Latest Practicable Date, we had 188 registered trademarks, 98 registered copyrights for software products, eight registered copyrights for works, 11 patents and 43 registered domain names, including our primary website www.sinohealth.com, www.sinohealth.cn, as well as sinoxk.com and aimdt.net, among others. We also had 15

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trademarks and 31 patents which were under application for registration in the PRC that we believe are material to our business. See “Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property of Our Group” in Appendix IV to this document.

We take a pro-active and robust approach to protecting our technology and proprietary rights, including through a combination of internal policies, confidentiality agreements, encryption and data security measures, as well as a legal and compliance team responsible for management and protection of intellectual property rights. This team is responsible for guiding and supervising intellectual property protection matters in other departments, registering new intellectual property, reviewing agreements to ensure proper protection of intellectual property, and handling potential disputes. In addition to proper registration of our intellectual property rights, we also rely on trade secrets protection and contractual restrictions to safeguard our intellectual property rights. In agreements between us and our clients or business partners, we clearly specify our ownership of our intellectual property to protect and prevent others from infringing on our intellectual property. We closely monitor and collect information on any instances of infringement on our intellectual property rights or attempts by others to register the same or similar intellectual property as ours. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises in addition to security of our technology systems.

We regularly review material published on our websites, mini-programs or through other marketing channels to ensure that we have received authorization for use of any third-party content. The legal and compliance department is responsible for maintaining a database of any intellectual property we have licensed. We also provide regular training for our employees on intellectual property compliance topics to prevent any unauthorized use or infringement of intellectual property rights of third parties.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material intellectual property infringement claims. See “Risk Factors—Risks Relating to Our Business and Our Industry—We may be subject to intellectual property infringement claims brought against us by others.” in this document.

EMPLOYEES

As at 31 December 2019, 2020 and 2021 and as at the Latest Practicable Date, we had a total number of 340, 437, 624 and 673 employees, respectively. The increase in the number of our employees during the Track Record Period was primarily due to our expansion of our solutions and products team and research and development team in response to our business needs. As at the Latest Practicable Date, 28, 54 and 111 of our employees possessed medical expertise, medicine expertise and computer science expertise, respectively. Our specialized talents have more than six years’ experience on average. Our employees are located in Guangzhou and Beijing.

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The following table sets forth the aggregate number of employees, categorized by function, and the percentage of each category of our total employees as at the Latest Practicable Date.

Function	Number	Percentage of Total
Solutions and Products	270	40.1%
Research and Development	251	37.3%
Sales and Marketing	89	13.2%
General and Administrative	63	9.4%
 Total	 <u>673</u>	 <u>100.0%</u>

We embrace diversity and focus on equal opportunity during our recruitment process. We also highly value our employees and place an emphasis on the development of our employees. In order to advance the skills and knowledge of our employees as well as to explore new potential from within our workforce, we invest in continuing education and training programs for our management and other staff members to update their skills and knowledge periodically. Generally, our training focuses on matters relating to our operations, technical knowledge, intellectual property protection and work safety standards. We have also established various internal professional committees with themes such as pharmacy and medicine, data and technology, and industry development, to promote our employees' professional development and encourage exchange of information.

The remuneration package of our employees includes basic salary, performance bonuses and allowances. We determine employee remuneration based on factors such as competency, performance, qualifications, expertise and years of experience. We typically enter into employment contracts and confidentiality agreements with our employees.

We participate in and make contributions to housing funds and social insurance contribution plans organized by the relevant local municipal and provincial governments, including pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance, and housing fund plans. For the years ended 31 December 2019, 2020 and 2021, the total amount of our welfare contribution provided was approximately RMB7.5 million, RMB4.3 million and RMB14.6 million, respectively.

During the Track Record Period, we failed to make full contributions to social insurance and housing provident fund for our employees in accordance with the relevant PRC laws and regulations. As at 31 December 2019, 2020 and 2021, the aggregate shortfall amount was approximately RMB6.0 million, RMB6.7 million and RMB13.1 million, respectively, and relevant provision has been made in our historical financial information.

Pursuant to the relevant PRC laws and regulations, the under-contribution of social insurance within a prescribed period may subject us to a daily overdue charge of 0.05% of the delayed payment amount. If such payment is not made within the stipulated period, the competent authority may further impose a fine of one to three times of the overdue amount. Pursuant to the relevant PRC laws and regulations, if there is any failure to pay the full amount of housing provident fund as required, the competent authority may require payment of the outstanding amount within a prescribed period. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

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According to the consultation conducted by our PRC Legal Advisers with the State Administration of Taxation (Guangzhou Taxation Bureau) and Guangzhou Housing Provident Fund Management Centre in May 2021, being the competent authorities providing consultation for social insurance and housing provident fund respectively as advised by our PRC Legal Advisers, (i) the social insurance and housing provident fund contributions was made by relevant subsidiaries in Guangzhou in compliance with the respective laws, regulations and/or relevant local policies and requirements, we had made full social insurance and housing provident fund contributions or we had no outstanding social insurance and housing provident fund contributions; and (ii) no administrative penalty has been imposed.

As at the Latest Practicable Date, we had not received any notification from the relevant PRC authorities alleging that we had not fully contributed to the social insurance premiums and housing provident funds and demanding payment of the same before a stipulated deadline. We were also not aware of any employee's material complaints or demands for payment of social insurance premiums and housing provident fund contributions, nor had we received any legal documentation from the labor arbitration tribunals or the PRC courts regarding disputes in this regard, which may have a material adverse effect on our business, financial position and results of operations.

On September 21, 2018, the Ministry of Human Resources and Social Security of the PRC issued the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》), which promotes the reduction in the amount of social insurance contributions by companies to avoid overburdening enterprises, and prohibits local authorities from requiring enterprises to make up for historically underpaid or unpaid social insurance contributions in one go.

Based on the above, our PRC Legal Advisers are of the view that there is a low risk that the relevant authorities having been consulted as aforementioned will demand us to settle the shortfall or impose any administrative penalty on us in respect of the under-contribution of social insurance and housing provident fund.

In light of the above, our Directors believe that such non-compliance incident will not have a material financial and operational impact on us.

To prevent the recurrence of any such non-compliance incident, (i) we have adopted a relevant internal control policy with regard to social insurance and housing provident fund contributions; (ii) we have designated personnel of our human resources department to closely monitor our ongoing compliance with the laws and regulations relating to social insurance and housing provident fund contribution and oversee the implementation of relevant policies; and (iii) we will arrange regular training for our Directors, senior management and the responsible personnel on the latest regulatory development in this regard. Our Directors confirm that the Group will make full contribution to social insurance and housing provident fund for our employees in accordance with PRC laws and regulations after [REDACTED].

We believe that we maintain a good working relationship with our employees and during the Track Record Period and up to the Latest Practicable Date, we had not experienced any material labor disputes nor received any relevant complaints, notice or orders from relevant governmental authorities or third parties that have materially interfered with our operations.

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PROPERTIES

Our corporate headquarters is located at Room 1111, No.5 Wangjiang Second Street, Huangge Town, Nansha District, Guangzhou, Guangdong Province, China. As at the Latest Practicable Date, we did not own any properties and leased (i) 18 units located in Guangzhou, Guangdong province with an aggregate gross floor area of approximately 3,302.4 sq.m., and (ii) six units with an aggregate gross floor area of approximately 488.3 sq.m. in Beijing which were used for office purposes. These leases generally have expiration dates ranging from March 2023 to November 2025.

We have implemented enhanced internal control measures, such as requiring provision of title documents or other valid authorization from lessors and/or competent authorities prior to leasing properties. As at the Latest Practicable Date, we failed to register certain lease agreements as the tenant, including the leases in connection with our office premises. See “Risk Factors—Risks Relating to Our Business and Our Industry—We face certain risks relating to the real properties that we lease.” in this document.

As at 31 December 2021, none of the properties leased by us had a carrying amount of 15% or more of our total assets, and therefore according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group’s interests in land or buildings.

INSURANCE

We provide social security insurance policies for our employees in the PRC, including pension insurance, unemployment insurance, work-related injury insurance, maternity insurance, medical insurance and housing funds. In addition, we may also provide group accident insurance for our employees. See “—Employees” in this section. In addition, we expect that we will maintain directors’ and officers’ liability insurances for the executive Directors and executive officers of our Company on or before [REDACTED].

During the Track Record Period, we had not maintained insurance policies which cover potential losses or damages in respect of our operations including our servers, computers and other properties owned by us. For risks relating to limited business insurance coverage, see “Risk Factors—Risks relating to our Business and Our Industry—We have limited insurance coverage.” in this document. With the expansion of our business and potential new risk exposures, we may take out other insurances as our Directors deem appropriate. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material business interruptions and we had not been subject to significant losses due to limited insurance coverage.

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HEALTH AND SAFETY AND ENVIRONMENTAL MATTERS

Due to the nature of our business, we do not believe that we are subject to significant occupational health and safety and environmental matters. To ensure compliance with applicable laws and regulations, we would, if necessary and after consultation with our legal advisers, adjust our policies to accommodate any material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, work safety or environmental regulations and our PRC Legal Advisers have advised that, during the same period, we complied with all relevant PRC laws and regulations in all material respects.

Our ESG Policy

We are committed to integrating the concept of sustainable development into our business decisions and daily operations and have adopted a set of policies on environmental, social and corporate governance (the “**ESG Policies**”), which sets forth relevant objectives and guidance for our daily operations. Our Board supports our commitment to fulfilling our environmental, social and corporate governance (“**ESG**”) responsibilities and is responsible for setting the overall direction of our ESG strategies and ensuring their effectiveness. Our Board will also monitor the performance of our Group in achieving ESG goals and objectives, as well as the latest ESG disclosure requirements and regulatory compliance. The Audit Committee is responsible for revising and evaluating the implementation of our ESG Policies. We intend to establish an ESG management sub-committee of the Board after [REDACTED], which will be led by Mr. Wu, our chairman and an executive Director, to support the Board in formulating and implementing the ESG Policies and overseeing relevant disclosure. We also intend to set up an ESG team to coordinate and manage general ESG affairs, which will be made up of personnel from key departments such as human resources, administration, sales and marketing, procurement, technology and legal. The ESG team will be responsible for guiding the development of ESG-related matters, communicating with stakeholders, assessing ESG risks, including climate-related risks and opportunities, based on our business conditions, improving assessment indicators, promoting ESG work results and disclosing ESG information annually.

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Under our ESG Policies, we promote environmental protection and sustainable development to our employees and stakeholders through different channels and attach great importance to building an honest, open and transparent corporate culture. We are committed to energy saving and waste reduction measures in our daily activities to reduce our carbon footprint and raising our employees' awareness in this area. We have formulated measures for office energy and water conservation, such as:

- asking our employees to switch off electrical equipment and lighting after working hours;
- asking our employees to be mindful of the environment when using office supplies and encouraging them to reuse office supplies;
- encouraging employees to switch off display monitors when leaving their desks;
- encouraging virtual meetings or conference calls to replace physical meetings to reduce business travel;
- encouraging employees to use water rationally and repairing any leaking appliances in a timely manner; and
- having dedicated employees regularly inspecting the water supply and drainage systems to identify and repair leaks.

Impact of Environmental, Social and Climate-related Issues and Opportunities

Our Directors are aware of the adverse effects of global climate change on global economic and social development, and that the continuous emission of greenhouse gases will exacerbate such impacts. Climate-related risks identified by us can be divided into two major categories: physical risks and transition risks.

We define physical risks as risks that may potentially cause physical impact to us. We believe that climate-related issues may bring about risks of extreme weather events, such as more frequent storms, typhoons and floods. We may be potentially affected by increased operating and maintenance costs of infrastructure equipment and increases in insurance. The health and safety of our employees may also be threatened by extreme weather conditions.

In terms of transition risks, based on our assessment of relevant government and regulatory policies, and technology and market trends, we believe that we may be affected by increases in operating costs caused by changes in sustainable practice requirements. For example, we may need to switch to energy-efficient lighting or increase green spaces of our business premises. Increasing obligations on emission disclosure may mean increased costs to us for more stringent monitoring of emissions and resource consumption.

Other than the risks set out above, as at the Latest Practicable Date, the Directors were not aware of any other actual climate-related risks that may have a negative impact on our business, strategy or financial performance.

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Identification, Assessment and Management of Environmental, Social and Climate-related Risks and Opportunities

We attach great importance to managing and controlling corporate risk, and have established the Sinohealth Risk Assessment and Management Policy and risk management committee which acts to identify risks and implement risk reduction strategies. This risk management committee reports directly to the Board. We also encourage employees at any level to identify and assess risks for our operations and communicate these risks with their supervisors or heads of relevant departments.

We have carried out targeted risk identification and impact assessment of environmental, social and climate-related risks and opportunities based on our nature of business and future development direction, and have adopted control and mitigation measures for a number of risk items, including:

- ***Transition to green building.*** As part of our operations, we have the opportunity to switch to energy-efficient lighting and other equipment in our business premises, as well as increasing our green areas. These changes in operating practices may incur increases in operating costs.
- ***Business ethics.*** As part of our operations, employees may accept bribes, leak company secrets, or fail to comply with professional ethics. To mitigate this, we have established an internal management system to require all employees to abide by business ethics and undertake not to participate in any corruption, bribery, fraud, extortion and money laundering activities.
- ***Information security.*** There may be risks associated with our business development or operations, such as attacks on IT systems, loss of key business information, and disclosure of employee and client confidential information. We have developed and implemented comprehensive policies to standardize the handling and management of our data. See “—Our Technologies and Big Data—Big Data—Data Security and Privacy” in this section. We have also established an information security management system with reference to JRT0072-2012 “Guidelines for the Evaluation of Information Security Level Protection of Information Systems in the Financial Industry”.
- ***Employees’ health and development.*** Our employees may face food, transportation and travel safety risks in the work environment, or may be threatened by the COVID-19 pandemic, as well as the restrictions imposed by governments and society as a whole in response. We also face the risk of training and development of our talent not being in line with our overall development strategies. We have put in place certain measures for safety of the office environment, and also formulate a talent development strategy with corresponding training systems and plans while tracking implementation of employee development plans.

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Metrics and Targets on Environmental, Social and Climate-related Risks

We have also assessed quantitative information that reflects our management of environmental, social and climate-related risks, which includes resource consumption and greenhouse gas emissions. Greenhouse gas emissions consists of Scope 1 and Scope 2 emissions. Scope 1 direct emissions include the greenhouse gas emissions from our vehicles. Scope 2 indirect emissions include greenhouse gas emissions from the consumption of purchased electricity. The table below sets forth a summary of these emissions for the years ended 31 December 2020 and 2021:

Resource Consumption	2020	2021
Purchased electricity (kWh)	407,894	495,497
Vehicle oil (L)	399	82
Emissions	2020	2021
Greenhouse gas emissions (tonnes CO ₂ equivalent)	249.80	302.45
Scope 1 (direct emissions) (tonnes CO ₂ equivalent)	0.94	0.19
Scope 2 (indirect emissions) (tonnes CO ₂ equivalent)	248.86	302.25

Through research and our assessment of these quantitative indicators, and with reference to their historical levels, we have identified relevant environment, social and climate-related risks and set relevant targets to guide our Group's business operations to reduce our impact on the environment and climate change. In the process of setting these targets, we have also considered changes to our business and recent expansion, as well as future business plans, in order to achieve sustainable development while ensuring economic benefits. In the next five years, we expect to achieve the goals of (i) reducing greenhouse gas emissions (CO₂ equivalent) by 0.005 tonnes per million (RMB) in revenue; and (ii) reducing electricity consumption by 0.4% per million (RMB) in revenue.

CORPORATE SOCIAL RESPONSIBILITY

We are committed to corporate social responsibility and our achievements and initiatives in this area include the following:

- **Healthcare industry.** Our platforms and solutions facilitate the precise connection of participants in the healthcare industry and their access to our data and technology infrastructure, empowering them to quickly perceive the needs of the industry, address inefficiencies or inadequacies, and to improve healthcare processes and amplify their benefits.
- **Patients and individuals.** We help to improve the quality and preciseness of patient care, including through education and training programs for pharmacists, patients, and their caregivers. Our technology also improves the accuracy of diagnoses by leveraging our data technology infrastructure and provides detailed and practical analyses. In addition, we continually try to raise awareness on the importance of ongoing healthcare management that is tailored to individual circumstances and partner with physical examination institutions to do so.

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- **Data privacy and protection.** We are committed to protecting personal information and privacy. We have established and implemented a strict company-wide policy on data aggregation and processing. See “—Our Technologies and Big Data—Big Data—Data Security and Privacy” in this section.

LEGAL PROCEEDINGS AND COMPLIANCE

From time to time, we may be subject to various legal or administrative claims and proceedings arising in the ordinary course of business. We may also initiate legal proceedings in order to protect our intellectual property and other rights. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material and adverse effect on our business, financial condition and results of operations.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, saved as disclosed in “—Employees” in this section, we complied with all relevant PRC laws and regulations in all material respects.

RISK MANAGEMENT AND INTERNAL CONTROL

We recognize that the industry in which we operate is competitive and our business is exposed to various risks, and as such, effective risk management and internal control are critical to our growth and success. We are primarily exposed to, and have adopted and implemented various policies and procedures to ensure effective risk management and internal control systems for, the following risks: (i) operational/information system risks; (ii) intellectual property risks; and (iii) compliance and regulatory risks. For further details of major risks identified by our management, see “Risk Factors” in this document. We are also dedicated to continually improving these policies and procedures.

Operational Risk/ Information System Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, IT system or infrastructure failures, personnel mistakes, or external events. We have established a series of internal procedures and controls to manage such risk, and in particular that relating to our IT, as sufficient maintenance, storage and protection of healthcare data and other related information is critical to our success. Certain types of healthcare data that we can access may also be considered as personal data under applicable laws and regulations. Our internal procedures and controls are also designed to ensure that any healthcare data that we gain access to is protected and that leakage and loss of such data is avoided. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material system failure in our IT infrastructure or any material disruption to our IT systems due to malfunctioning of software or hardware, or any material leakage or loss of healthcare data.

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We have established an information system security management framework, including a backup and recovery management system and other relevant internal control and risk management mechanisms to manage network security, data security, anti-virus measures, approval procedure for system changes, user management, system monitoring and incident management.

Our IT systems security department is responsible for ensuring the security of our IT infrastructure and ensuring that the usage, maintenance and protection of healthcare data are in compliance with our internal rules and applicable laws and regulations. We also provide information security training to our employees and conduct ongoing training and discuss any issues or necessary updates from time to time.

Intellectual Property Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with relevant rules and regulations, as well as the protection of our intellectual property rights. In accordance with these procedures, our in-house legal and compliance department examines all contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by our counterparties or us to perform contractual obligations and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

We also have in place detailed internal procedures to ensure that our in-house legal department reviews our solutions and products, including upgrades to existing products or systems, for regulatory compliance before they are made available. Our in-house legal and compliance department is responsible for obtaining any requisite governmental pre-approvals or consent, including preparing and submitting all necessary documents for filing with relevant governmental authorities within the prescribed regulatory timelines and ensuring all necessary application, renewals or filings for trademark, copyright and patent registration have been timely made to the competent authorities.

Compliance and Regulatory Risk Management

In order to manage our compliance and legal risk exposures effectively, we have designed and adopted strict internal procedures to ensure the compliance of our business operations with relevant rules and regulations. In particular, as we and our employees deal with a variety of third parties in our operations, we have implemented internal procedures with respect to anti-bribery, anti-corruption and conflict of interest matters. As part of our risk management and internal control measures, we have adopted a series of internal regulations against corrupt and fraudulent activities, which include measures against receiving bribes and kickbacks, and misappropriation of company assets. We also ask our departments to perform self-checks on any violations in key processes and roles on a regular basis, and to report to the legal and compliance department any violation or possible risk events.

We provide regular and specialized training tailored to the needs of our employees in different departments, and also in relation to our anti-corruption policy. We regularly organize internal training sessions conducted by senior employees or outside consultants on topics of interest for employees and have set up internal committees to encourage exchange of

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information and professional development. Through these training sessions, we ensure that our staff's skill sets and knowledge level of our anti-corruption policy remain up-to-date, enabling them to better comply with applicable laws and regulations in the course of exploring business opportunities. Our established internal control policies on anti-corruption include definitions, specific prohibited activities, and consequences of breaching the stated requirements. For our Data-driven Publications and Events, adherence to such anti-corruption policies is required of all event attendees, and is set out in the agreement signed between us and the event attendees. The event guide package provided to the event attendees also includes a reminder of prohibited activities. Our employees attending these events are trained to observe and note any suspicious activity. Our employees will also visit the various booths set up within the event venue and monitor the onsite situation and circumstances to identify any abnormal activities or interactions among the attendees. We have also established a designated hotline and email to receive complaints by event attendees and for reporting of any suspected misconduct.

As advised by our PRC Legal Advisers, we are required to comply with the PRC Advertising Law since we design and prepare media content for our clients to release through our Media Channels or other third party platforms. We have established internal control policies on the review of advertising content during the stages of acceptance, planning, execution and presentation of deliverables when providing customized marketing solutions. Our business department first reviews the contents of the advertisement after clients provide their feedback. Our legal department then reviews the advertising content to identify any compliance risks, including whether there is any inappropriate or offensive content, and to ensure that all advertisements comply with relevant laws and regulations. Our business department confirms the advertising content with the client and makes necessary amendments before delivery and publishing the advertisement. We also regularly organize relevant laws and regulations training sessions for our business personnel. Based on the written confirmations issued by competent authorities, during the Track Record Period, we had not been subject to any administrative penalties imposed by relevant authorities and involved in any material civil lawsuit in relation to provision of our advertisement services.

We have in place an employee handbook and a code of conduct which is distributed to all of our employees. The handbook contains internal rules and guidelines regarding work ethics, fraud prevention mechanisms, negligence and corruption. We provide employees with regular training, as well as resources to explain the guidelines contained in the employee handbook.

Board Oversight

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the [REDACTED], we have established an audit committee to monitor the implementation of our risk management policies across our Group on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three members, namely Ms. Du Yilin, Ms. Wang Danzhou and Mr. Wei Bin, all of whom are independent non-executive Directors. Mr. Wei Bin is the chairman of the audit committee. For the professional qualifications and experiences of the members of our audit committee, see "Directors and Senior Management" in this document.

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We have also established an internal audit department which is responsible for reviewing the effectiveness of internal controls and reporting to the audit committee and senior management on any issues identified. Our internal audit department members are required to report to management to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The internal audit department also reports to the audit committee to ensure that any major issues identified are channeled to the committee on a timely basis. The audit committee then discusses the issues and reports to the board of directors, if necessary.

Ongoing Measures to Monitor Implementation

Our audit committee, internal audit department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

LICENSES AND PERMITS

As at the Latest Practicable Date, we have obtained all material licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant governmental authorities in the PRC, and such licenses, permits, approvals and certificates remain in full effect.

The following table sets forth details of our key licenses, permits and certificates that are material to our operations.

No.	License and Permit Name	Issuing Authority	Holder	Date of Grant	Date of Expiry
1	Radio and Television Program Production and Operation Permit (廣播電視節目製作經營許可證)	Radio and Television Administration of Guangdong Province (廣東省廣播電視局)	Sinohealth Information	1 April 2021	31 March 2023
2	Publications Operation License (出版物經營許可證)	Guangzhou Municipal Bureau of Press and Publication (廣州市新聞出版局)	Sinohealth Information	10 March 2021	31 March 2026
3	Qualification Certificate for Providing Internet Pharmaceutical Information Service (Operational) (互聯網藥品信息服務資格證書) (經營性)	Guangdong Medical Products Administration (廣東省藥品監督管理局)	Sinohealth Information	15 June 2022	14 June 2027

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No.	License and Permit Name	Issuing Authority	Holder	Date of Grant	Date of Expiry
4	Qualification Certificate for Providing Internet Pharmaceutical Information Service (Non-operational) (互聯網藥品信息服務資格證書) (非經營性)	Guangdong Medical Products Administration (廣東省藥品監督管理局)	Sinohealth Information	14 September 2021	13 September 2026
5	High and New Technology Enterprise Certificate of Guangdong Province (廣東省高新技術企業證書) . . .	Guangdong Provincial Science and Technology Department, Guangdong Provincial Finance Bureau, Guangdong Provincial Tax Service of the State Taxation Administration (廣東省科學技術廳、廣東省財政廳、國家稅務總局廣東省稅務局)	Sinohealth Information	2 December 2019 ⁽¹⁾	1 December 2023
6	High and New Technology Product Certificate (Medical and Medical Big Data) of Guangdong Province (廣東省高新技術產品證書(醫療及醫療大數據))	Guangdong High-tech Enterprise Association (廣東省高新技術企業協會)	Sinohealth Information	December 2019	1 November 2023
7	High and New Technology Product Certificate (Deep Learning) of Guangdong Province (廣東省高新技術產品證書(深度學習))	Guangdong High-tech Enterprise Association (廣東省高新技術企業協會)	Sinohealth Information	December 2019	1 November 2023
8	High and New Technology Product Certificate (Big Data Analysis) of Guangdong Province (廣東省高新技術產品證書(大數據分析))	Guangdong High-tech Enterprise Association (廣東省高新技術企業協會)	Sinohealth Information	December 2019	1 November 2023

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No.	License and Permit Name	Issuing Authority	Holder	Date of Grant	Date of Expiry
9	ICP License (中華人民共和國增值電信業務 經營許可證)	Guangdong Communications Administration (廣東省通信管理局)	Sinohealth Information	20 April 2021	20 April 2026
10	IDC License.	The MIIT	Sinohealth Information	12 November 2021	12 November 2026
11	EDI License.	Guangdong Communications Administration (廣東 省通信管理局)	Guangzhou Jiasi	13 March 2021	12 January 2026
12	ICP License.	Guangdong Communications Administration (廣東 省通信管理局)	Guangzhou Jiasi	13 March 2021	12 January 2026
13	Qualification Certificate for Providing Internet Pharmaceutical Information Service (Operational) (互聯網藥品信息服務資格證書 (經營性))	Guangdong Medical Products Administration (廣東省藥品監督 管理局)	Guangzhou Jiasi	23 October 2020	22 October 2025
14	EDI License.	Beijing Communications Administration (北京 市通信管理局)	Sinohealth Junyi	11 November 2020	11 November 2025
15	ICP License.	Beijing Communications Administration (北京 市通信管理局)	Sinohealth Junyi	11 November 2020	11 November 2025

Note:

(1) Sinohealth Information was initially recognized as a High and New Technology Enterprise in 2016.

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AWARDS AND RECOGNITION

We have received certain awards and recognitions since our establishment in recognition of the quality of solutions and products we provide.

The following table sets forth certain significant awards and recognitions we received during the periods indicated.

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2020	Graduate Practice Base of Shenyang Institute of Computing Technology, University of Chinese Academy of Sciences (中國科學院大學瀋陽計算技術研究所研究生實踐基地)	University of Chinese Academy of Sciences (中國科學院大學)	Sinohealth Information
2020	2020 Big Data Enterprise Panel List	Guangzhou Municipal Industry and Information Technology Bureau	Sinohealth Information
2021	CMMI Maturity Level 3 ⁽¹⁾	CMMI Institute, Carnegie Mellon University, USA	Sinohealth Jianshu
2021	Grade 3 Information System Security Graded Protection Certification (AI-MDT)	Guangzhou Municipal Public Security Bureau	WFOE
2021	Grade 3 Information System Security Graded Protection Certification (SIC)	Guangzhou Municipal Public Security Bureau	WFOE
2022	Grade 3 Information System Security Graded Protection Certification (Woodpecker Clinic)	Guangzhou Municipal Public Security Bureau	Guangzhou Jisi

Note:

(1) It demonstrates that our software center has formulated a standard internal procedure and established an integrated system to proactively improve our software development and maintenance.