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

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

OVERVIEW

We 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. 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 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. The 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, 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 markets of healthcare insight solutions for medical services whenever there is an opportunity.

We primarily provide integrated healthcare insight solutions, including (i) Data Insight Solutions; (ii) Data-driven Publications and Events; and (iii) SaaS, to a diverse group of healthcare industry participants with a particular focus on medical product manufacturers. Leveraging on our competitive strengths, we achieved high net profit margins of approximately 30.6% and 32.3% for the years ended 31 December 2019 and 2020, respectively. For the year ended 31 December 2021, our net profit margin was approximately 22.2%, primarily as a result of 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 "—Description of Major Components of our Results of Operation—Profit for the Year" in this section. Our adjusted net profit margin (which is a non-HKFRS measure) for the year ended 31 December 2021 was 28.6%. See "—Non-HKFRS Measures" in this section for details.

During the Track Record Period, our business continued to grow steadily. Our revenue increased by approximately 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.

BASIS OF PRESENTATION

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

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

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

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

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

BASIS OF PREPARATION

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

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

KEY FACTORS AFFECTING OUR RESULTS OF OPERATION

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

General Factors

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

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

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

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

- governmental policies, initiatives and incentives affecting the healthcare industry and healthcare insight solutions industry in the PRC.

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

Company Specific Factors

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

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 and number of corporate clients served in 2020. We have established an extensive and loyal client base. For the years ended 31 December 2019, 2020 and 2021, we had 630, 702 and 918 corporate clients, respectively. A high degree of client stickiness allows us to attract more clients, which is crucial to our continuous business growth. Leveraging our Healthcare Industry Participant Networks, big data and technologies, we have established a favorable market position and brand recognition in the healthcare insight solutions market in China, which provides us with a strong pricing power. Our ability to maintain or increase the selling price of our products will largely depend on our ability to compete effectively and differentiate our solutions and products through strong brand recognition, product development and sales and marketing efforts. Our revenue increased from approximately RMB177.8 million for the year ended 31 December 2019 to approximately RMB202.1 million for the year ended 31 December 2020 and to approximately RMB324.2 million for the year ended 31 December 2021, mainly due to our enhanced capabilities and market recognition of our solutions and products as well as an increase in an overall development of the healthcare insight solutions market partly driven by the need of digital transformation.

We have established and maintained long-term relationship with our clients, especially medical product manufacturers. According to the iResearch Report, medical product manufacturers will have the strongest payment capabilities to afford healthcare insight solutions. In 2020, according to the iResearch Report, we had 57 top medical product manufacturer clients, and we ranked first among China's medical products and channels 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. Approximately 69.8% of these 63 top medical product manufacturer clients had transactions with us in each of the three years ended 31 December 2019, 2020 and 2021. Our contracts with clients are typically on a project or term basis and we generally do not enter into long-term contracts with clients. If we are unable to expand our business with existing clients or attract new clients, we may experience slow growth, no growth or negative growth, and our business, financial performance and results of operations would be materially and adversely affected. Furthermore, any change of business development plan or any adverse changes in the business or financial performance of our major clients, including any liquidity problems, restructuring, winding up or liquidation, may also result in a higher level of credit risk for us.

Our ability to monetize our SaaS products

Our SaaS is currently at a ramp-up stage. In 2015, we launched CHIS, our first SaaS, which was followed by our further initiatives of launching SIC in 2018 as well as Pharmacy Connect and LinkedSee in 2020. During the Track Record Period, we recorded growth in revenue generated from our SaaS products, primarily attributable to our cross-selling opportunities through Data Insight Solutions and Data-driven Publications and Events, strengthened brand and reputation and our direct marketing efforts. Our SaaS corporate clients increased by 25.2% from 226 in 2019 to 283 in 2020 and by 52.7% to 432 in 2021. 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 by approximately 304.0% to approximately RMB28.2 million for the year ended 31 December 2021. We recorded a gross loss margin of 22.9% in 2019, primarily due to our staff costs, and data costs in relation to the operation and promotion of our SaaS products. Our SaaS entered a commercialization stage in 2020 and we began to recoup our previous investment in SaaS. We recorded a gross profit margin of 8.0% and 60.4% in 2020 and 2021, respectively.

As we continue to focus on expanding the client base for our SaaS, we have been and will continue upgrading and optimizing our existing SaaS products to address our clients' evolving business needs. Currently, our SaaS offerings include (i) Smart Decision Cloud; (ii) Smart Retail Cloud; (iii) Smart Health Management Cloud; and (iv) Smart Medical Cloud. During the Track Record Period, sales of our Smart Decision Cloud accounted for approximately 80.1%, 82.7% and 83.9% of our revenue generated from SaaS. We strive to continue to introduce new functions and features to optimize the performance of our SaaS products. Our Smart Medical Cloud began generating revenue in 2021 and accounted for 3.9% of our revenue generated from SaaS for the year ended 31 December 2021. We also intend to launch new products to diversify our SaaS offerings which can be applied to more business scenarios and bring our value to our clients.

According to the iResearch Report, the market size of healthcare insight solutions for medical products and channels by SaaS delivery will grow much faster than by non-SaaS delivery in the future. It is expected that such market size by SaaS delivery will increase from RMB1.2 billion in 2021 to RMB12.9 billion in 2026, representing a CAGR of 61.4%. We expect that our sales of our SaaS products will continue to grow with sustained demand from the industry.

Our ability to manage costs and improve operational efficiency

We operate a cost-effective business model. We recorded high gross profit margin during the Track Record Period. For the years ended 31 December 2019, 2020 and 2021, our gross profit margin was approximately 59.7%, 64.4% and 59.4%, respectively. For the same periods, our net profit margin was approximately 30.6%, 32.3% and 22.2%, respectively. Our net profit margin had dropped for the year ended 31 December 2021 primarily as a result of 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. See "—Description of Major Components of Our Results of Operations—Income Tax Expenses" in this section. Our adjusted net profit margin (which is a non-HKFRS measure) for the year ended 31 December 2021 was 28.6%. See "—Non-HKFRS Measures" in this section for details. Our high gross profit margin was achieved through our management of our cost of sales. During the Track Record Period, event costs and staff costs were our largest components of our cost of sales. Our event costs, which mainly include venue and equipment rentals, event planning and organization services fees and accommodation and catering costs, are generally one of the largest components of our cost of sales and accounted for approximately 37.9%, 32.4% and 24.3% of our total cost of sales for the years ended 31 December 2019, 2020 and 2021, respectively. During the Track Record Period, we were able to transfer the increased event costs to our clients. Staff costs mainly refer to our employee benefits for our employees involved in the operation and delivery of our solutions and products. During the Track Record Period, staff costs accounted for approximately 30.7%, 38.3% and 34.4% of our total cost of sales for the years ended 31 December 2019, 2020 and 2021, respectively. While we highly value our employees and increase our salary level from time to time with reference to market rates to incentivize and retain our employees, we manage our staff costs with prudence and budgeting. We also achieved high net profit margins during the years ended 31 December 2019 and 2020, primarily due to (i) our management of research and development costs, which primarily consist of employee benefits paid to our research and development personnel; and (ii) our low selling and distribution expenses which accounted for only 6.0% and 7.3% of our total revenue for the years ended 31 December 2019 and 2020, respectively. We continued this trend in 2021, in which our selling and distribution expenses accounted for 7.6% of our total revenue for the year ended 31 December 2021.

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

Level of income tax and preferential tax treatment

Our profit attributable to owners is affected by the level of income tax that we pay and the preferential tax treatment to which we are entitled. For the years ended 31 December 2019, 2020 and 2021, our income tax expenses were approximately RMB12.7 million, RMB10.7 million and RMB23.6 million, accounting for approximately 7.2%, 5.3% and 7.3% of our total revenue, respectively. For the same periods, our effective tax rate was 19.0%, 14.1% and 24.7%, respectively. This increase in our effective tax rate was a result of the transfer of the Non-restricted Businesses to WFOE and its subsidiaries and hence being subject to the unified corporate income tax rate of 25% as part of WFOE and our non-tax deductible [**REDACTED**].

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

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

Continuous investment in research and development

We invested significantly during the Track Record Period to improve our big data and AI technologies, incubation of SaaS and aPaaS infrastructure. For the years ended 31 December 2019, 2020 and 2021, our research and development costs were approximately RMB29.3 million, RMB39.8 million and RMB53.7 million, accounting for approximately 16.5%, 19.7% and 16.6% of our total revenue for the same years, respectively. We intend to continue to invest in attracting more talented research and development personnel with diversified backgrounds and further developing and applying advanced technologies in the fields of cloud computing, big data and AI technologies to enhance our solutions and products. As a result, research and development costs will continue to affect our results of operations.

SIGNIFICANT ACCOUNTING POLICIES

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

Revenue Recognition

Revenue from contracts with clients

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

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

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

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

- the client simultaneously receives and consumes the benefits provided by our Group's performance as our Group performs;

- our Group's performance creates or enhances an asset that the client controls as the asset is created or enhanced; or

- our Group's performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

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

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

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

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

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

(a) Data Insight Solutions

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

Delivery of customized data insight reports

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

Provision of data-driven marketing solutions

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

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

Revenue from each individual data-driven marketing solution is recognized over time, because the client simultaneously receives and consumes the benefits provided by our Group. The Group uses the output method to measure progress towards complete satisfaction of the service, based on units of delivery.

(b) Data-driven Publications and Events

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

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

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

(c) SaaS products

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

Granting right to access the proprietary cloud-based software

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

Provision of API use

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

Provision of application software development service

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

Other Income

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

Contract Assets

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

Contract Liabilities

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

Fair Value Measurement

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

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

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

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

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

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

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

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

Impairment of Financial Assets

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

General approach

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

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

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

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

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

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

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

Simplified approach

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

Research and Development Costs

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

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

	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Revenue	177,750	100.0%	202,073	100.0%	324,166	100.0%
Cost of sales	(71,654)	(40.3)%	(71,867)	(35.6)%	(131,527)	(40.6)%
Gross profit	106,096	59.7%	130,206	64.4%	192,639	59.4%
Other income and gains	15,662	8.8%	19,026	9.4%	29,537	9.1%
Selling and distribution expenses	(10,691)	(6.0)%	(14,833)	(7.3)%	(24,786)	(7.6)%
Administrative expenses	(12,780)	(7.2)%	(16,585)	(8.2)%	(44,163)	(13.6)%
Research and development costs	(29,262)	(16.5)%	(39,821)	(19.7)%	(53,711)	(16.6)%
Impairment losses on financial assets, net	(1,303)	(0.7)%	(691)	(0.3)%	(2,855)	(0.9)%
Other expenses	(31)	0.0%	(8)	0.0%	(184)	(0.1)%
Finance costs	(576)	(0.3)%	(1,222)	(0.6)%	(532)	(0.2)%
Share of losses of Associates	–	–	–	–	(416)	(0.1)%
Profit before tax	**67,115**	**37.8%**	**76,072**	**37.6%**	**95,529**	**29.5%**
Income tax expense	(12,736)	(7.2)%	(10,743)	(5.3)%	(23,551)	(7.3)%
Profit for the year	**54,379**	**30.6%**	**65,329**	**32.3%**	**71,978**	**22.2%**
Total comprehensive income for the Year	54,379	30.6%	65,329	32.3%	71,978	22.2%
Attributable to:						
Owners of the parent	56,089	31.6%	67,926	33.6%	78,813	24.3%
Non-controlling interests	(1,710)	(1.0)%	(2,597)	(1.3)%	(6,835)	(2.1)%
	54,379	30.6%	65,329	32.3%	71,978	22.2%

NON-HKFRS MEASURES

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

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

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

	For the year ended 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year	54,379	65,329	71,978
Add:			
[**REDACTED**][(1)]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Adjusted net profit (Non-HKFRS measure)	54,379	65,329	92,626
Adjusted net profit margin (Non-HKFRS measure)(%)	30.6	32.3	28.6

Notes:

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

The adjusted net profit (non-HKFRS measure) has not excluded government grants received from local government departments for each of the years comprising the Track Record Period, such as those relating to the Industry Prospect Event held in Hainan since 2016. For the years ended 31 December 2019, 2020 and 2021, our government grants were approximately RMB1.7 million, RMB3.4 million and RMB16.4 million, respectively. In particular, government grants received increased from the year ended 31 December 2020 to the year ended 31 December 2021 primarily because a large portion of government grants received in 2021 were in relation to the Industry Prospect Events held in 2019, 2020 and 2021 but which were only received in 2021 from the Government of Hainan Province. The Group intends to continue applying for such government grants in the future. As each government grant must be applied for in respect of each conference individually and the relevant government department has the discretion to determine when grant payments are made, the grants are only recognized by the Group when received. As such, the Group has not excluded its government grants in the calculation of the adjusted net profit (non-HKFRS measure) as they are considered recurring in nature.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

We have a proven track record of monetizing our solutions and products. During the Track Record Period, our revenue was generated from three business segments, namely (i) Data Insight Solutions; (ii) Data-driven Publications and Events; and (iii) SaaS. For more information regarding our business segments, see "Business—Our Business Segments" in this document. Our solutions and products are highly valued by our clients. For the years ended 31 December 2019, 2020 and 2021, our total revenue was approximately RMB177.8 million, RMB202.1 million and RMB324.2 million, respectively.

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

Our healthcare insight solutions for medical products and channels aim to address this industry development and demand from the industry verticals. We strive to improve our big data and AI technologies such as our data standardization and data processing capabilities. Through offering enhanced solutions and products that are valuable to the medical product manufacturers and retail pharmacies, we recorded stable growth during the Track Record Period. The number of our corporate clients increased during the Track Record Period. For the years ended 31 December 2019, 2020 and 2021, we had 630, 702 and 918 corporate clients, respectively.

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

	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Mainland China	177,093	99.6%	201,292	99.6%	323,205	99.7%
Overseas[1]	657	0.4%	781	0.4%	961	0.3%
	177,750	100.0%	202,073	100.0%	324,166	100.0%

Note:

(1) Overseas includes Hong Kong, Germany, Singapore, the United Kingdom, Switzerland, France and South Korea.

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

	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Data Insight Solutions	92,800	52.2%	98,418	48.7%	161,367	49.8%
Data-driven Publications and Events	80,506	45.3%	96,678	47.8%	134,613	41.5%
SaaS	4,444	2.5%	6,977	3.5%	28,186	8.7%
Total	**177,750**	**100.0%**	**202,073**	**100.0%**	**324,166**	**100.0%**

Data Insight Solutions

Our Data Insight Solutions is the segment with the longest operating history and largely contributed to our revenue during the Track Record Period. We expect that our Data Insight Solutions will continue as our primary revenue generator in the foreseeable future. We provide tailor-made solutions on demand based on our data insights. We typically negotiate our fee with our clients on a case-by-case basis, depending on our scope of work and costs. During the Track Record Period, our fees charged for Data Insight Solutions generally ranged from approximately RMB100,000 to RMB1 million per project and may exceed a few million RMB depending on scope of our work and complexity. For the years ended 31 December 2019, 2020 and 2021, our revenue derived from Data Insight Solutions amounted to approximately RMB92.8 million, RMB98.4 million and RMB161.4 million, accounting for approximately 52.2%, 48.7% and 49.8% of our total revenue, respectively.

The following table sets forth a breakdown of our revenue of our Data Insight Solutions by application scenario for the 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%**

Our revenue generated from Data Insight Solutions increased by 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 increased by approximately 64.0% to approximately RMB161.4 million for the year ended 31 December 2021. This growth in revenue during the Track Record Period was primarily due to a continuous increase in our revenue generated from our Growth and Investment Decision Solutions which was primarily driven by (i) our efforts in developing 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. 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 and the 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; (iii) our improved data governance efficiency such as achieving a higher rate of machine data processing from over 80% to over 98%; and (iv) an increase in the number of our corporate clients and their transaction amounts for Growth and Investment Decision Solutions. We had successfully attracted and retained quality corporate clients through our continuous enhancement of our big data capabilities in response to increased market demand driven by the overall development of the healthcare insight solutions, including that related to data insight research and consulting for innovative drugs and products or treatments.

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

Data-driven Marketing Solutions increased to RMB46.3 million, primarily as demand recovered after effects from the COVID-19 pandemic subsided in late 2020 and 2021 and 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. These newly introduced precision marketing solutions were popular with clients seeking both online and offline advertising campaigns for targeted audiences.

Data-driven Publications and Events

During the Track Record Period, Data-driven Publications and Events were also an important component of our business. We provide Data-driven Publications and Events through our Healthcare Industry Participant Networks. 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, accounting for approximately 45.3%, 47.8% and 41.5% of our total revenue, respectively. For our fee model applicable to our Data-driven Publications and Events, see "Business—Our Business Segments—Data-driven Publications and Events—Fee Model" in this document.

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

	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Industry Prospect Event	51,889	64.5%	64,635	66.9%	89,541	66.5%
Merchandise Trading Event	15,386	19.1%	17,742	18.4%	30,834	22.9%
Retail Sales Event	10,528	13.1%	7,064	7.3%	8,808	6.5%
Others[(1)]	2,703	3.3%	7,237	7.4%	5,430	4.1%
Total	**80,506**	**100.0%**	**96,678**	**100.0%**	**134,613**	**100.0%**

Note:

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

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

Our Industry Prospect Event, which was generally held in the second half of each year during the Track Record Period, contributed to approximately 64.5%, 66.9% and 66.5% of our revenue generated from our Data-driven Publications and Events for 2019, 2020 and 2021. respectively. In 2019, with reference to the latest practices in the healthcare industry, we replaced certain publication and business connection components that were merely designed for medical product manufacturers and retail pharmacies at our Industry Prospect Event with those more attractive and relevant to a wider range of industry participants, including new drug companies, biotech companies, investment institutions, and insurance companies. In particular, we reduced the emphasis on promotion of particular products to incorporate a publication section on strategy, trends and development of China's healthcare industry while highlighting decisions and actions of major industry players. Our revenue generated from our Industry Prospect Event increased by 24.6% from 2019 to 2020, primarily due to increased market acceptance of the aforesaid new components. Revenue generated from our Industry Prospect Event further increased by 38.5% from 2020 to 2021 as the increase in market acceptance of our event components continued.

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

SaaS

Our SaaS products provide our clients with user-friendly software embedded with certain sets of data insights and management tools which are of common demand and relevant to concerns of our clients. By application scenario and target client, our SaaS products are categorized as: (i) Smart Decision Cloud; (ii) Smart Retail Cloud; (iii) Smart Health Management Cloud; and (iv) Smart Medical Cloud. For the years ended 31 December 2019, 2020 and 2021, revenue derived from our SaaS products was approximately RMB4.4 million, RMB7.0 million and RMB28.2 million, accounting for approximately 2.5%, 3.5% and 8.7% of our total revenue, respectively. As more of our SaaS products entered a commercialization stage in 2020 and we recouped our previous investments and recorded steady increases in revenue generated from this segment. Our revenue generated from SaaS was mainly derived from Smart Decision Cloud which targeted medical product manufacturers that were more willing to pay for our SaaS to support their business growth. We recorded insignificant revenue generated from Smart Retail Cloud through SIC add-on services. We began generating revenue from Smart Health Management Cloud in 2020 and Smart Medical Cloud in 2021.

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

	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%**

Our revenue generated from SaaS increased during the Track Record Period, primarily due to our continuous efforts in developing, improving and promoting our SaaS products. 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, Smart Decision Cloud contributed to 80.1%, 82.7% and 83.9% of our total revenue generated from SaaS.

Cost of Sales

Our cost of sales primarily consisted of (i) event costs; (ii) staff costs; (iii) marketing expenses; (iv) traveling and transportation expenses; (v) labor services fees; (vi) data costs; (vii) advertising agency expenses; (viii) depreciation of right-of-use assets; and (ix) others. For the years ended 31 December 2019, 2020 and 2021, our cost of sales was approximately RMB71.7 million, RMB71.9 million and RMB131.5 million, accounting for approximately 40.3%, 35.6% and 40.6% of our total revenue for the same periods, respectively.

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

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

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

	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Cost of sales						
Event costs	27,127	37.9%	23,281	32.4%	31,910	24.3%
Staff costs	21,997	30.7%	27,527	38.3%	45,270	34.4%
Marketing expenses	4,196	5.9%	3,321	4.6%	22,888	17.4%
Traveling and transportation expenses	3,210	4.5%	2,817	3.9%	6,058	4.6%
Labor service fees	5,959	8.3%	3,817	5.3%	8,637	6.6%
Data costs(1)	3,039	4.2%	4,738	6.6%	8,929	6.8%
Advertising agency expenses	2,339	3.3%	7	0.0%	–	0.0%
Depreciation of right-of-use assets	1,326	1.9%	1,901	2.6%	1,346	1.0%
Others(2)	2,461	3.4%	4,458	6.2%	6,489	4.9%
	71,654	100.0%	71,867	100.0%	131,527	100.0%

Note:

(1) Our data costs, consisting of costs for data collection and data processing, were generally immaterial during the Track Record Period because we primarily collected data from our partnering pharmacies through CMH Cooperation Agreements and SIC Services Agreements or public sources, which allowed us to minimize our costs of data collection. For the year ended 31 December 2021, we recorded increases in (i) data collection costs as we partnered with a number of additional partnering pharmacies under CMH Cooperation Agreements; and (ii) data processing costs incurred from purchase of cloud services and telecommunications services to support the growth of our Data Insight Solutions and SaaS products.

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

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

	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Data Insight Solutions	32,346	45.1%	32,124	44.7%	71,186	54.1%
Data-driven Publications and Events	33,848	47.2%	33,323	46.4%	49,187	37.4%
SaaS	5,460	7.7%	6,420	8.9%	11,154	8.5%
Total	**71,654**	**100.0%**	**71,867**	**100.0%**	**131,527**	**100%**

Sensitivity analysis

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

	Impact on profit before income tax		
	For the year ended 31 December		
	2019	2020	2021
	RMB'000	RMB'000	RMB'000
Event costs			
+/-5%	-/+1,356	-/+1,164	-/+1,596
+/-10%	-/+2,713	-/+2,328	-/+3,191
Staff costs			
+/-5%	-/+1,100	-/+1,376	-/+2,264
+/-10%	-/+2,200	-/+2,753	-/+4,527

Gross Profit and Gross Profit Margin

Our gross profit increased steadily during the Track Record Period and for the years ended 31 December 2019, 2020 and 2021, we recorded gross profit of RMB106.1 million, RMB130.2 million and RMB192.6 million, respectively. For the same periods, our gross profit margin was approximately 59.7%, 64.4% and 59.4%, respectively. Our overall gross profit margin is primarily affected by our steady business growth, our cost structure and our management of operation efficiency as a whole.

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

	For the year ended 31 December					
	2019		2020		2021	
	Gross profit	Gross profit/(loss) margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Data Insight Solutions	60,454	65.1%	66,294	67.4%	90,181	55.9%
Data-driven Publications and Events	46,658	58.0%	63,355	65.5%	85,426	63.5%
SaaS	(1,016)	(22.9)%	557	8.0%	17,032	60.4%
Total	**106,096**	**59.7%**	**130,206**	**64.4%**	**192,639**	**59.4%**

Our gross profit margin increased from 59.7% in 2019 to 64.4% in 2020, primarily due to our revenue increase from each of our business segments. Our gross profit margin then decreased to 59.4% in 2021, primarily due to the increase in our costs of sales, particularly our staff costs due to expansion of our employee teams in relation to our Growth and Investment Decision Solutions in particular to focus on data insight research and consulting for innovative drugs and marketing and advertising expenses related to provision of our Data-driven Marketing Solutions, which were at a higher level than the increase in our revenue.

The gross profit margin of our Data Insight Solutions increased from 65.1% in 2019 to 67.4% in 2020, but decreased to 55.9% for the year ended 31 December 2021 due to (i) an increase in our staff costs as we expanded our employee teams in particular, staff focusing on data insight research and consulting for our solutions relating to innovative drugs and products or treatments, which had a lower margin as they were being developed and expanded; and (ii) lower margins for certain of our expanded precision marketing solutions we launched and offered in 2021 as they were in the earlier stages of development and we incurred higher marketing and advertising expenses related to the promotion of our clients' products on digital media and other advertising channels. As our upgraded Industry Prospect Event received better market acceptance, the gross profit margin of our Data-driven Publications and Events increased from 58.0% in 2019 to 65.5% in 2020 and fluctuated slightly to 63.5% in 2021. Gross margins for our SaaS products fluctuated considerably during the Track Record Period as we continued to develop and grow this segment of our business. Our SaaS recorded a gross loss margin of 22.9% in 2019, primarily due to our staff costs and data costs incurred for the purposes of daily operations and maintenance during the commercializing and promoting our SaaS products. We began to recoup from our previous investment in SaaS with gross profit margins of 8.0% and 60.4% in 2020 and 2021, respectively.

Other Income and Gains

Our other income and gains consisted of (i) other income primarily from bank interest income, government grants, investment income from financial assets at fair value through profit or loss and others; and (ii) fair value gains on financial assets at fair value through profit or loss, gains on disposal of a subsidiary, gains on lease modifications and others. For the years ended 31 December 2019, 2020 and 2021, our other income and gains were approximately RMB15.7 million, RMB19.0 million and RMB29.5 million, accounting for approximately 8.8%, 9.4% and 9.1% of our total revenue for the same periods, respectively.

Bank interest income referred to interest received from our bank deposits. Our government grants received during the Track Record Period mainly represent incentives awarded by the local governments to support our past or present operations, such as our high and new technology projects, manpower development, provision of high-end services and organization of the Industry Prospect Events in Qiong Hai City, Hainan Province. There were no unfulfilled conditions or contingencies attached to our government grants. During the Track Record Period, we generated investment income from our wealth management products which were of low or moderately low risks, with short maturity date, high liquidity and mostly were not principal-protected. See "—Current Assets and Current Liabilities—Financial assets at fair value through profit or loss" in this section. Gains on disposal of a subsidiary was in relation to disposal of Guangzhou Jiasi to Mr. Wu. See "History, Reorganization and Corporate Structure—Acquisition of Guangzhou Jiasi" in this document. Gains on lease modifications and others were insignificant during the Track Record Period.

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

	For the year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Other income			
Bank interest income	9,070	5,181	248
Government grants	1,664	3,422	16,354
Investment income from financial assets at fair value through profit or loss	3,735	7,279	6,721
Others[(1)]	38	92	256
	14,507	15,974	23,579
Gains			
Fair value gains on financial assets at fair value through profit or loss	1,155	2,994	4,815
Foreign exchange gains, net	–	1	36
Gains on disposal of a subsidiary	–	50	–
Gains on lease modifications	–	7	1,107
	1,155	3,052	5,958
Total	**15,662**	**19,026**	**29,537**

Note:

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

Selling and Distribution Expenses

Our selling and distribution expenses primarily consisted of (i) employee benefits expenses for employees engaging in sales and marketing functions; (ii) traveling and business development in relation to our offline marketing campaigns, client relationship development and maintenance and production of advertising material; (iii) general offices expenses; and (iv) depreciation of right-of-use assets. For the years ended 31 December 2019, 2020 and 2021, our selling and distribution expenses were approximately RMB10.7 million, RMB14.8 million and RMB24.8 million, accounting for approximately 6.0%, 7.3% and 7.6% of our total revenue for the same periods, respectively. This increase was driven by the increase in our sales and marketing employee numbers, as we added new recruits to the team to support expansion of our business, and in particular to promote our SaaS products.

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

	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Selling and distribution expenses						
Employee benefits expenses	8,325	77.9%	11,806	79.6%	19,652	79.3%
Traveling and business development	1,777	16.6%	1,851	12.5%	3,589	14.5%
General office expenses	208	1.9%	483	3.2%	733	3.0%
Depreciation of right-of-use assets	381	3.6%	693	4.7%	812	3.2%
Total	**10,691**	**100.0%**	**14,833**	**100.0%**	**24,786**	**100%**

During the Track Record Period, our employee benefits expenses were the largest component of our selling and distribution expenses, accounting for approximately 77.9%, 79.6% and 79.3% of our total selling and distribution expenses for the years ended 31 December 2019, 2020 and 2021, respectively. The increase in selling and distribution expenses was primarily due to an increase in our employee benefits expenses resulting from an increase in the average number of our sales and marketing employees, in particular for our SaaS products.

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

Administrative Expenses

Our administrative expenses primarily consisted of (i) [**REDACTED**]; (ii) employee benefits expenses for employees involved in our general and administrative functions, including finance, legal and human resources; (iii) general office expenses; (iv) traveling and business development; (v) depreciation and amortization; (vi) depreciation of right-of-use assets; (vii) professional fees; (viii) other tax; and (ix) others. Our professional fees related to audit, legal and advisory services. Other tax referred to our stamp duties and culture development fees. Others referred to miscellaneous expenses in relation to labor services fees, telecommunication fees and vehicle costs. For the years ended 31 December 2019, 2020 and 2021, our administrative expenses were approximately RMB12.8 million, RMB16.6 million and RMB44.2 million, accounting for approximately 7.2%, 8.2% and 13.6% of our total revenue for the same periods, respectively.

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

	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Administrative expenses						
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Employee benefits expenses	9,061	70.9%	12,212	73.6%	16,936	38.3%
General office expenses	1,711	13.4%	2,199	13.3%	2,415	5.5%
Traveling and business development	265	2.1%	522	3.1%	749	1.7%
Depreciation and amortization	266	2.1%	479	2.9%	561	1.3%
Depreciation of right-of-use assets	363	2.8%	441	2.7%	479	1.1%
Professional fees	391	3.1%	288	1.7%	678	1.5%
Other tax	632	4.9%	113	0.7%	217	0.5%
Others(1)	91	0.7%	331	2.0%	1,480	3.3%
Total	**12,780**	**100.0%**	**16,585**	**100.0%**	**44,163**	**100.0%**

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

During the Track Record Period, other than [**REDACTED**] incurred in the year ended 31 December 2021, our employee benefits expenses were the largest component of our administrative expenses, accounting for approximately 70.9%, 73.6% and 38.3% of our total administrative expenses for the years ended 31 December 2019, 2020 and 2021, respectively. The increase in administrative expenses was primarily due to an increase in our employee benefits expenses resulting from increases in our average number of administrative employees. For the year ended 31 December 2021, our [**REDACTED**] of approximately RMB[**REDACTED**] were the largest component of our administrative expenses, accounting for approximately [**REDACTED**]% of our total administrative expenses for the period.

Research and Development Costs

Our research and development efforts mainly focused on our core capabilities, such as big data and AI technologies, cloud computing and developing new solutions and products. Our research and development costs primarily consisted of (i) employee benefit expenses for employees involved in research and development functions including salaries, welfare benefits and bonuses; and (ii) technology services fees, general office expenses, traveling and business development expenses in relation to our employees' traveling, accommodation and relationship development for the purposes of research and development, depreciation and amortization, depreciation of right-of-use assets and others. Technology services fees were incurred primarily due to our research and development cooperation projects with third parties such as our data and associated system developments, automated development of knowledge graphs and development of Big Data & AI Lab. For the years ended 31 December 2019, 2020 and 2021, our research and development costs were approximately RMB29.3 million, RMB39.8 million and RMB53.7 million, accounting for approximately 16.5%, 19.7% and 16.6% of our total revenue for the same periods, respectively.

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

	For the year ended 31 December					
	2019		2020		2021	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Research and development costs						
Employee benefit expenses	24,796	84.7%	33,191	83.4%	47,426	88.3%
Technology services fees	938	3.2%	2,349	5.9%	2,262	4.2%
General office expenses	1,208	4.1%	1,623	4.1%	1,523	2.8%
Traveling and business development	301	1.0%	208	0.5%	222	0.4%
Depreciation and amortization	251	0.9%	344	0.9%	363	0.7%
Depreciation of right-of-use assets	1,757	6.0%	1,973	5.0%	1,880	3.5%
Others(1)	11	0.1%	133	0.2%	35	0.1%
Total	**29,262**	**100.0%**	**39,821**	**100.0%**	**53,711**	**100%**

Note:

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

During the Track Record Period, our employee benefits expenses were the largest component of our research and development expenses, accounting for approximately 84.7%, 83.4% and 88.3% of our total research and development expenses for the years ended 31 December 2019, 2020 and 2021, respectively. The increase in research and development expenses were primarily due to an increase in our employee benefits expenses resulting from an increase in the average number of our research and development employees as we expanded the relevant teams working on our technologies such as those relating to data governance, retail data analysis and drug treatments and to improve product functions and user experience.

Impairment Losses on Financial Assets, Net

Our impairment losses were recorded in relation to our trade and other receivables. For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on market historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For the years ended 31 December 2019, 2020 and 2021, we recorded net impairment losses on financial assets of RMB1.3 million, RMB0.7 million and RMB2.9 million, respectively.

Other Expenses

Our other expenses primarily represent losses on disposal of non-current assets, losses on deregistration of a subsidiary and foreign exchange losses. For the years ended 31 December 2019, 2020 and 2021, our other expenses were approximately RMB31,000, RMB8,000 and RMB184,000, respectively.

Finance Costs

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

Profit Before Income Tax

For the years ended 31 December 2019, 2020 and 2021, our profit before income tax was approximately RMB67.1 million, RMB76.1 million and RMB95.5 million, respectively.

Income Tax Expenses

For the years ended 31 December 2019, 2020 and 2021, our income tax expenses were approximately RMB12.7 million, RMB10.7 million and RMB23.6 million, accounting for approximately 7.2%, 5.3% and 7.3% of our total revenue, respectively. For the same periods, our effective tax rate was 19.0%, 14.1% and 24.7%, respectively. The effective tax rate is obtained by dividing income tax expenses by profit before tax. The tax on our profit before tax differs from the theoretical amount that would arise using the statutory tax rate of 25% in the PRC. This increase in our effective tax rate was a result of the transfer of the Non-restricted Businesses to WFOE and its subsidiaries and hence being subject to the unified corporate income tax rate of 25% as part of WFOE and our non-tax deductible [**REDACTED**], as well as, to a lesser extent, our excess entertainment expenses over the tax deduction limit and our provision for social insurance and housing fund which are non-deductible for tax purposes. WFOE intends to apply for recognition as a High and New Technology Enterprise in 2022. We expect our effective tax rate to stay at a similar level to that of 2021 unless WFOE is successful in applying for recognition as a High and New Technology Enterprise in 2022 and is able to enjoy a reduced tax rate. See "—Key Factors Affecting Our Results of Operation—Company Specific Factors—Level of income tax and preferential tax treatment" and "Accountant's report—Note 10" in Appendix I to this document.

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

Cayman Islands

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

Hong Kong

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

China

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

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

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

Profit for the Year

Leveraging on our competitive strengths, we achieved high net profit margins during the years ended 31 December 2019 and 2020. See "Business—Our Strengths" in this document. For the years ended 31 December 2019, 2020 and 2021, our net profit was approximately RMB54.4 million, RMB65.3 million and RMB72.0 million, respectively. For the same periods, our net profit margin was approximately 30.6%, 32.3% and 22.2%, respectively. Our net profit margin dropped for the year ended 31 December 2021 primarily as the result of the [**REDACTED**] of approximately RMB[**REDACTED**] incurred in 2021, the introduction of certain solutions with lower margins within Data Insight Solutions, and our higher effective tax rate in 2021 compared to that in 2020, as we had transferred the Non-restricted Businesses to WFOE and its subsidiaries in 2021 and as a result was subject to the unified corporate income tax rate of 25% as part of WFOE and no longer enjoyed the preferential corporate income tax rate of 15% available to Sinohealth Information as a High and New Technology Enterprise. This increase in our effective tax rate was also due to the non-tax deductible [**REDACTED**] incurred offshore in 2021.

YEAR-TO-YEAR COMPARISONS OF RESULTS OF OPERATIONS

Year Ended 31 December 2021 Compared to Year Ended 31 December 2020

Revenue

Our total revenue increased by approximately 60.4% from RMB202.1 million for the year ended 31 December 2020 to RMB324.2 million for the year ended 31 December 2021, as we recorded substantial increases in revenue generated from each of our business segments.

Data Insight Solutions

Our revenue generated from Data Insight Solutions increased by approximately 64.0% from RMB98.4 million for the year ended 31 December 2020 to RMB161.4 million for the year ended 31 December 2021, primarily due to an increase in our revenue generated from Growth and Investment Decision Solutions by 72.8% and an increase in our revenue generated from Data-driven Marketing Solutions by 45.5%.

- ***Growth and Investment Decision Solutions***. The increase in our revenue generated from Growth and Investment Decision Solutions from 2020 to 2021 was driven by our recovery of operations as effects from COVID-19 subsided and there was an increase in general demand for external consulting services in the medical products and channels segment and market recognition of our Growth and Investment Decision Solutions. There was weaker demand in 2020 due to the COVID-19 pandemic, in part as some retail pharmacies only had limited business hours. In 2021, most regions had recovered and the demand for retail data monitoring from clients increased. We continued to invest in expanding our network of partnering pharmacies and developing our big data and AI technologies. Our partnering pharmacies increased from 759 as at 31 December 2020 to 1,072 as at 31 December 2021 and the retail pharmacy stores covered increased from 37,703 as at 31 December 2020 to 52,882 as at 31 December 2021, providing us with more real-world retail data. In addition, we had launched solutions targeting clients who offered innovative drugs or treatments for patients with chronic conditions or long-term ailments. These tailored solutions were also well-received and contributed to the increase in our revenue generated from this segment. Leveraging our market position and strong pricing power, we retained our key clients and attracted more clients, including a number of multinational medical product manufacturers that entered into purchase agreements for our Growth and Investment Decision Solutions in 2021.

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

Data-driven Publications and Events

Our revenue generated from Data-driven Publications and Events increased by approximately 39.2% from RMB96.7 million for the year ended 31 December 2020 to RMB134.6 million for the year ended 31 December 2021, primarily due to increases in revenue generated (i) from our Industry Prospect Event by 38.5%; (ii) from our Merchandise Trading Event by 73.8%; and (iii) an increase in revenue generated from our Retail Sales Event.

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

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

- ***Retail Sales Event***. The increase in revenue generated in 2021 compared to 2020 was primarily due to the larger scale of our 2021 Retail Sales Event.

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

SaaS

Our SaaS products continued their rapid growth in 2021 and revenue generated from SaaS increased by approximately 304.0% from RMB7.0 million for the year ended 31 December 2020 to RMB28.2 million for the year ended 31 December 2021, primarily due to (i) the growth of our LinkedSee product which was launched in June 2020 to meet diversified needs of our clients as a part of our Smart Decision Cloud; and (ii) additional contracts of higher value signed with clients of our Smart Decision Cloud, which recorded an increase in revenue of RMB17.9 million in 2021. Each of our SaaS products, namely Smart Decision Cloud, Smart Retail Cloud, Smart Health Management Cloud and Smart Medical Cloud, recorded increases in revenue in 2021 compared to 2020. We did not record any revenue from Smart Medical Cloud in 2020 as it was still in its early stages of market release.

Cost of Sales

Our cost of sales increased by approximately 83.0% from RMB71.9 million for the year ended 31 December 2020 to RMB131.5 million for the year ended 31 December 2021. This increase was due to (i) an increase in event costs resulting from the larger scales and increases in attendance numbers of our Merchandise Trading Event and Industry Prospect Event held in 2021; (ii) an increase in staff costs from an increase in the average number of employees to drive our business growth and an increase in average salary; (iii) a large increase in our marketing expenses as we incurred advertising costs from digital media and other advertising channels related to projects for our precision marketing solutions; and (iv) an increase in traveling and transportation expenses as business travel resumed in 2021 as the COVID-19 pandemic subsided.

Data Insight Solutions

Our cost of sales for our Data Insight Solutions increased by approximately 121.6% from RMB32.1 million in 2020 to RMB71.2 million in 2021, primarily due to (i) an increase in our staff costs as we expanded our employee teams in relation to our Growth and Investment Decision Solutions, in particular to focus on data insight research and consulting for innovative drugs by hiring additional analysts and project managers; and (ii) an increase in our marketing and advertising expenses in relation to our expanded precision marketing solutions incurred for promotion of our clients' products, including placing advertisements on digital media and other advertising channels.

Data-driven Publications and Events

Our cost of sales for our Data-driven Publications and Events increased by approximately 47.6% from RMB33.3 million in 2020 to RMB49.2 million in 2021, primarily due to increases in our event costs as necessitated by the expanded scale of our Merchandise Trading Event, reflected in part by the core attendees increasing significantly in number from approximately 1,700 in 2020 to 3,500 in 2021 which meant additional staff and event space was required. Our Industry Prospect Event held in September 2021 was also of a larger scale, as partly demonstrated by the increase in the number of core attendees of 3,100 in 2021 compared to 2,500 in 2020.

SaaS

Our cost of sales for our SaaS increased by approximately 73.7% from RMB6.4 million in 2020 to RMB11.2 million in 2021, primarily due to increased labor costs for system maintenance relating to our products under Smart Decision Cloud, in particular, the LinkedSee product which was launched in June 2020, and the adjustments and iteration of our SaaS products which are still in their growth stage. We did not record any costs associated with Smart Medical Cloud for 2020.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by approximately 47.9% from RMB130.2 million for the year ended 31 December 2020 to RMB192.6 million for the year ended 31 December 2021. Our gross profit margin decreased from 64.4% for the year ended 31 December 2020 to 59.4% for the year ended 31 December 2021.

- ***Data Insight Solutions.*** The gross profit margin of our Data Insight Solutions decreased from 67.4% 2020 to 55.9% 2021, primarily due to an increase in the costs of sales for Data Insight Solutions by approximately 121.6% from the year ended 31 December 2020 to the year ended 31 December 2021 while the revenue generated from our Data Insight Solutions increased at a lower level between the same periods. In particular, this was mainly driven by (i) an increase in our staff costs resulting from the increase in employee teams, particularly staff focusing on our solutions relating to innovative drugs and products or treatment, which had a lower margin as they were being developed and expanded; and (ii) lower margins for certain of our expanded precision marketing solutions we launched and offered in 2021 as they were in the earlier stages of development and we incurred higher marketing and advertising expenses related to the promotion of our clients' products on digital media and other advertising channels compared to events and campaigns that were mainly launched in cooperation with our partnering pharmacies.

- ***Data-driven Publications and Events.*** The gross profit margin of our Data-driven Publications and Events decreased slightly from 65.5% for the year ended 31 December 2020 to 63.5% for the year ended 31 December 2021, primarily due to an increase in our revenue generated from Data-driven Publications and Events by approximately 39.2% from 2020 to 2021 while the costs of sales for our Data-driven Publications and Events increased at a slightly higher level driven by the expanded scale of our Industry Events and increase in number of employees supporting development of this business segment.

- ***SaaS.*** The gross profit margin of our SaaS increased from 8.0% in 2020 to 60.4% 2021, primarily due to an increase in the number of our SaaS clients which contributed to our increased revenue as a result of our direct marketing efforts and cross-selling opportunities. Our SaaS had entered into a commercialization stage in 2020 and we began to recoup from our previous investment in SaaS, and this continued in 2021.

Other Income and Gains

Other income and gains increased by approximately 55.2% from RMB19.0 million for the year ended 31 December 2020 to RMB29.5 million for the year ended 31 December 2021, primarily due to (i) an increase of approximately RMB12.9 million in government grants received mainly in relation to our Industry Prospect Events held in Qiong Hai City, Hainan Province in 2019, 2020 and 2021, but which was only received in 2021 from the Government of Hainan Province; and (ii) an increase in fair value gains on financial assets at fair value through profit or loss by approximately RMB1.8 million, partially offset by a decrease in bank interest income by approximately RMB4.9 million as our bank balances had decreased as we paid out a dividend of approximately RMB120.1 million to the then shareholders of Sinohealth Information in January

2021, and we also utilized our bank balances to purchase wealth management products. See "—Discussion of Certain Items from the Consolidated Statements of Financial Position—Financial assets at fair value through profit or loss" in this section.

Selling and Distribution Expenses

Our selling and distribution expenses increased by approximately 67.1% from RMB14.8 million for the year ended 31 December 2020 to RMB24.8 million for the year ended 31 December 2021, primarily due to (i) an increase in our employee benefits expenses by approximately RMB7.8 million resulting from an increase in the average number of our sales and marketing employees. We recruited additional sales staff to support the expansion of our marketing team; and (ii) an increase in our traveling and business development expenses of approximately RMB1.7 million as business travel resumed in 2021 compared to restricted travel in 2020, and our larger team of sales staff increased their travel frequency to maintain client contact and boost business development, and in particular for the active promotion of our SIC system.

Administrative Expenses

Our administrative expenses increased by approximately 166.3% from RMB16.6 million for the year ended 31 December 2020 to RMB44.2 million for the year ended 31 December 2021, primarily due to (i) [**REDACTED**] incurred in 2021 of approximately RMB[**REDACTED**] and recorded under administrative expenses; and (ii) an increase in employee benefit expenses of approximately RMB4.7 million resulting from an increase in the average number of our administrative employees.

Research and Development Costs

Our research and development costs increased by approximately 34.9% from RMB39.8 million for the year ended 31 December 2020 to RMB53.7 million for the year ended 31 December 2021, primarily due to an increase in our employee benefits expenses by RMB14.2 million resulting from an increase in the average number of our research and development employees who focused on product development and integration of data resources and technologies in support of different business segments.

Impairment Losses on Financial Assets

We recognized an impairment loss of approximately RMB2.9 million for the year ended 31 December 2021, primarily due to the increase in our long-aged trade receivables and other receivables as at 31 December 2021.

Income Tax Expenses

Our profit before tax increased by 25.6% from RMB76.1 million for the year ended 31 December 2020 to RMB95.5 million for the year ended 31 December 2021, and our income tax expenses increased from RMB10.7 million to RMB23.6 million for the same periods, respectively, primarily due to an increase in our profit before tax and a higher effective tax rate in 2021 than in 2020, as we had transferred the Non-restricted Businesses to WFOE and its subsidiaries in 2021 and as a result was subject to the unified corporate income tax rate of 25% as part of WFOE and no longer enjoyed the preferential corporate income tax rate of 15% available to Sinohealth Information as a High and New Technology Enterprise. This increase in our effective tax rate was also due to the non-tax deductible [**REDACTED**] incurred offshore in 2021.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 10.2% from RMB65.3 million for the year ended 31 December 2020 to RMB72.0 million for the year ended 31 December 2021. Our net profit margin decreased from 32.3% for the year ended 31 December 2020 to 22.2% for the year ended 31 December 2021. Our adjusted net profit margin (which is a non-HKFRS measure) for the year ended 31 December 2021 was 28.6%.

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

Revenue

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

Data Insight Solutions

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

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

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

Data-driven Publications and Events

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

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

- ***Merchandise Trading Event***. The increase in revenue generated from our Merchandise Trading Event from 2019 to 2020 was primarily due to a slight increase in our corporate clients that attended our Merchandise Trading Event as a result of our restructured components offered at our Merchandise Trading Event. These components included a strategic focus on establishing better networking opportunities for medical product manufacturers, wholesalers and pharmacies. In particular, as compared with our Merchandise Trading Event prior to 2020, we (i) involved more representative local, small to medium-sized chain pharmacies as attendees; and (ii) enhanced the engagement of well-known medical product manufacturers, whereby medical product manufacturers could effectively promote to these chain pharmacies as scattered local retail pharmacies were generally difficult to target, and these pharmacies would have access to a wider variety of offerings from medical product manufacturers and high-quality pharmaceutical brands.

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

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

SaaS

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

Cost of Sales

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

Data Insight Solutions

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

Data-driven Publications and Events

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

SaaS

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

Gross Profit and Gross Profit Margin

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

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

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

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

Other Income and Gains

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Research and Development Costs

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

Impairment Losses on Financial Assets

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

Other Expenses

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

Finance Costs

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

Income Tax Expenses

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

Profit for the Year

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

DISCUSSION OF CERTAIN ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

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

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Total non-current assets	17,389	35,046	16,609
Total current assets	423,462	507,161	500,414
Total assets	**440,851**	**542,207**	**517,023**
Total non-current liabilities	7,329	22,300	4,974
Total current liabilities	37,596	55,282	96,138
Total liabilities	**44,925**	**77,582**	**101,112**
Share capital	–	–	322
Reserves	394,739	462,665	416,536
Non-controlling interests	1,187	1,960	(947)
Total equity	**395,926**	**464,625**	**415,911**

Current Assets and Current Liabilities

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

	As at 31 December			As at 30 April
	2019	2020	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)
CURRENT ASSETS				
Inventories	599	573	680	4,069
Trade and notes receivables	19,536	28,712	81,866	44,689
Prepayments, other receivables and other assets	1,677	5,424	10,451	12,634
Financial assets at fair value through profit or loss	181,015	356,664	373,389	414,383
Due from a director	–	10	–	–
Due from a related party	–	–	73	–
Cash and cash equivalents	220,635	115,778	33,955	18,807
Total current assets	**423,462**	**507,161**	**500,414**	**494,582**
CURRENT LIABILITIES				
Trade payables	2,631	3,669	16,859	7,073
Other payables and accruals	27,961	38,399	67,586	86,051
Lease liabilities	3,214	5,570	4,640	4,762
Due to a related party	–	1,500	–	–
Due to a director	47	47	–	–
Tax payable	3,743	6,097	7,053	5,941
Total current liabilities	**37,596**	**55,282**	**96,138**	**103,827**
NET CURRENT ASSETS	**385,866**	**451,879**	**404,276**	**390,755**

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

As at 30 April 2022, our net current assets were approximately RMB390.8 million, consisting of current assets of approximately RMB494.6 million and current liabilities of approximately RMB103.8 million. Our net current assets decreased by approximately RMB13.5 million from approximately RMB404.3 million as at 31 December 2021 to approximately RMB390.8 million as at 30 April 2022. This decrease was primarily due to (i) decreases in our trade and notes receivables of RMB37.2 million and cash and cash equivalents of RMB15.2 million; and (ii) an increase in our other payables and accruals of RMB18.5 million, partially offset by (i) an increase in our financial assets at fair value through profit or loss of RMB41.0 million; and (ii) a decrease in our trade payables of RMB9.8 million.

As at 31 December 2021, our net current assets were approximately RMB404.3 million, consisting of current assets of approximately RMB500.4 million and current liabilities of approximately RMB96.1 million. Our net current assets decreased by approximately RMB47.6 million from approximately RMB451.9 million as at 31 December 2020 to approximately RMB404.3 million as at 31 December 2021. This decrease was primarily due to our dividend declaration and payment of RMB120.1 million in 2021.

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

Inventories

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

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

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Contract fulfillment costs	599	573	680

Our inventories remained stable at RMB0.6 million as at 31 December 2019 and 2020, and increased slightly by approximately 18.7% to RMB0.7 million as at 31 December 2021, primarily due to a project we undertook falling within our Data Insight Solutions segment with delivery expected to occur in 2022.

As at [30 April] 2022, approximately RMB[0.6] million, or approximately [91.9]%, of our inventories as at 31 December 2021 were subsequently utilized. Our Directors confirm that there is no material recoverability issue associated with our inventories as at 31 December 2021 and no provision needs to be made in this regard, given that (i) all of our inventories as at 31 December 2021 aged less than three months; (ii) we are not aware of any early termination or material impediment to the execution of the relevant contracts; and (iii) our past experience of the fact that inventories as at 31 December 2019 and 2020 were fully utilized respectively during the Track Record Period without any provision made for the same.

Trade and notes receivables

Trade and notes receivables consisted of outstanding amounts payable by third parties for solutions and products performed in the ordinary course of our business. Our trading terms with clients were mainly on credit. The credit terms granted to clients generally ranged from seven to 120 days, depending on the specific payment terms in each contract. We seek to maintain strict control over our outstanding receivables. Overdue balances were reviewed regularly by our senior management. We do not hold any collateral or other credit enhancements over our trade receivable balances. Trade receivables were non-interest-bearing. As at 31 December 2019, 2020 and 2021, our trade and notes receivables were RMB19.5 million, RMB28.7 million and RMB81.9 million, respectively.

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

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	20,051	29,547	78,712
Notes receivable	2,064	2,435	7,695
Impairment	(2,579)	(3,270)	(4,541)
	19,536	28,712	81,866

Our trade and notes receivables increased from RMB19.5 million as at 31 December 2019 to RMB28.7 million as at 31 December 2020 and further to RMB81.9 million as at 31 December 2021 primarily due to our increase in revenue, in particular that generated from sales of our Data Insight Solutions, as well as our longer credit terms granted to certain reputable corporate clients.

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

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

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 6 months	15,694	25,040	71,273
6 to 12 months	800	688	2,513
1 to 2 years	201	228	383
2 to 3 years	726	15	2
Over 3 years	51	306	–
	17,472	26,277	74,171

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

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	1,276	2,579	3,270
Impairment losses, net	1,303	691	2,510
Amount written off as uncollectible	–	–	(1,239)
At end of year	2,579	3,270	4,541

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

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

	For the year ended 31 December		
	2019	2020	2021
Average trade and notes receivables turnover days[(1)]	39	49	67

Note:

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

Our average trade and notes receivables turnover days were 39, 49 and 67, which was within our general credit terms. Our average trade and notes receivables turnover days increased from 39 days for the year ended 31 December 2019 to 49 days for the year ended 31 December 2020 and further to 67 days for the year ended 31 December 2021, primarily as a result of new agreements, mainly for our Data Insight Solutions, that we entered into in 2020 and 2021 with a number of large and reputable medical product manufacturers to whom we granted longer credit periods. These companies have certain credit period requirements for their suppliers that are generally higher than other smaller medical product manufacturers or other clients, and which our management considered acceptable as they are our recurring clients and are reputable companies with high credit ratings. In addition, revenue from these clients increased as a percentage of our total revenue throughout the Track Record Period, which also contributed to the increase in our average trade and notes receivables turnover days.

As at [30 April] 2022, approximately RMB[53.8] million, or [65.7]%, of our trade and notes receivables as at 31 December 2021 were subsequently settled.

Our Directors are of the view that there is no recoverability issue for our trade receivables as at 31 December 2021 and sufficient provision has been made during the Track Record Period, on the basis that (i) we closely review balances of trade receivables and any balances past due on an ongoing basis and continually assess the collectability of any balances that are past due; (ii) we perform an impairment analysis at the end of each year of the Track Record Period and establish a provision matrix that is based on market historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, to measure expected credit losses. The provision matrix containing information about our credit risk exposure on our trade receivables during the Track Record Period is set forth in note 18 of the Accountants' Report in Appendix I to this document; (iii) as at 31 December 2021, there was a higher portion of trade receivables that is current or due within one year and therefore had a higher expected chance of recoverability; and (iv) there has been no material change in terms of the business relationships with the relevant clients and no material dispute with the clients associated with these trade receivables.

Based on its due diligence work performed, including (i) a review of the relevant trade and note receivables analysis set forth in note 18 of the Accountants' Report in Appendix I to this document; (ii) due diligence enquiries with the management in relation to the Group's trade receivables aging analysis and the subsequent settlement as at 30 April 2022 as set forth above; and (iii) interviews with certain major clients of the Group, nothing has come to the attention of the Sole Sponsor that would lead it to cast doubt in a material respect on the Directors' views as discussed above.

Prepayments, other receivables and other assets

Prepayments, other receivables and other assets primarily consisted of prepayments, prepaid expenses, other receivables, other current assets and deferred [**REDACTED**]. Prepayments represented payments from our clients in accordance with our contract terms before our delivery of solutions and products. Prepaid expenses represented our prepaid IT services fees and event services fees. Other receivables represented our lease deposits paid and petty cash. Other current assets represented our input tax to be credited. As at 31 December 2019, 2020 and 2021, our prepayments, other receivables and other assets were RMB2.4 million, RMB6.7 million and RMB11.3 million, respectively.

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

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	583	4,296	2,719
Deferred [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Prepaid expenses	311	174	857
Other receivables	1,396	2,204	2,156
Other current assets	90	26	–
	2,380	6,700	11,644
Impairment	–	–	(325)
	2,380	6,700	11,319
Current	1,677	5,424	10,451
Non-current	703	1,276	868

Our prepayments, other receivables and other assets increased by approximately 181.5% from RMB2.4 million as at 31 December 2019 to RMB6.7 million as at 31 December 2020, primarily due to (i) an increase in our prepayments by RMB3.7 million in relation to prepayment for advertisement service and data costs driven by agreements entered into with two clients during the Retail Sales Event held near the end of 2020 for exchange of advertising rights and which were recorded under prepayments as the advertising rights had not yet been used, and as we expanded our partnering pharmacy network and hence the associated data costs; and (ii) an increase in other receivables by RMB0.8 million in relation to an increased lease deposits. Our prepayments, other receivables and other assets further increased by approximately 68.9% to RMB11.3 million as at 31 December 2021, primarily due to deferred [**REDACTED**] of RMB[**REDACTED**], which was partially offset by a decrease in our prepayments of RMB1.6 million.

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

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss mainly represent our wealth management products that are unlisted and issued by leading and reputable commercial banks in the PRC. Our wealth management products purchased during the Track Record Period were of low or moderately low risks, with short maturity, and mostly were not principal-protected. They bore a fixed term of three to six months, and generally had interest rates ranging from 1.4% to 5% per annum. The fair value measurement of our financial assets used level 2, which was based on valuation techniques for which the lowest level input that was significant to the fair value measurement is observable, either directly or indirectly. See "Accountant's Report—Note 2.4" in Appendix I to this document. The fair values of these unlisted investments approximate to their costs plus expected interest. They were classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. As at 31 December 2019, 2020 and 2021, our financial assets at fair value through profit or loss were RMB181.0 million, RMB356.7 million and RMB373.4 million, respectively.

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

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at fair value	181,015	356,664	373,389

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

		Investment amount			Financial assets at fair value through profit or loss				
Issuing Bank	Investment type	As at 31 December			As at 31 December			Expected return (per annum)	Risk Level
		2019	2020	2021	2019	2020	2021		
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		
China Everbright Bank . . .	Non-principal protected floating income	–	100,900	158,437	–	102,771	164,701	2.8%–4.4%	Moderately low
Huaxia Bank	Non-principal protected floating income	179,860	238,620	–	181,015	239,670	–	1.6%–5%	Moderately low
Ping An Bank	Non-principal protected floating income	–	14,150	51,610	–	14,223	51,698	2.4%–3.8%	Moderately low
Shanghai Pudong Development Bank . . .	Principal protected floating income	–	–	156,650	–	–	156,990	1.4%–3.5%	Low

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

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

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

(ii) the investment in high risk wealth management products, such as futures and other financial derivatives, are prohibited;

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

(iv) the management of such investments will align with our development strategies and will not affect the business operation of our Group.

Our finance department is responsible for proposing, analyzing and evaluating potential investments in wealth management products. Our finance department is led by, and the entire investment process is supervised by, our chief finance officer. Our current CFO is Ms. Yi Xuhui, who has been supervising our investment activities during the Track Record Period since she joined our Group. See "Directors and Senior Management" for a detailed description of Ms. Yi Xuhui's qualifications and credentials. Prior to making any material investments in wealth management products, the proposal is subject to the approval of the chief finance officer of our Group and our Board. Going forward, we intend to continue to limit our investment in those wealth management products with short-term maturity and high liquidity based on the same and consistent criterion.

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

After [**REDACTED**], our investments in wealth management products will be subject to compliance with Chapter 14 of the Listing Rules and will also be strictly in accordance with our internal policies and guidelines.

Trade payables

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

Our trade payables were non-interest-bearing and were normally settled within 90 days. We were typically granted credit terms of up to 30 days by our major suppliers during the Track Record Period. As at 31 December 2019, 2020 and 2021, our trade payables were RMB2.6 million, RMB3.7 million and RMB16.9 million, respectively.

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

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	2,631	3,669	16,859

Our trade payables increased by approximately 39.5% from RMB2.6 million as at 31 December 2019 to RMB3.7 million as at 31 December 2020 and further to RMB16.9 million as at 31 December 2021, primarily due to our increased labor services, marketing and traveling and transportation in anticipation of an increase in client demand for our solutions and products, as well as for marketing and advertising fees associated with certain projects within our Data-driven Marketing Solutions related to promotion of our clients' products on digital media and other advertising channels.

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

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Within 3 months	2,488	2,885	16,422
4 to 6 months	114	212	67
7 to 12 months	29	360	250
Over 1 year	–	212	120
	2,631	3,669	16,859

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

	For the year ended 31 December		
	2019	2020	2021
Average trade payables turnover days(1)	17	21	36

Note:

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

Our average trade payables turnover days were 17, 21 and 36 during the Track Record Period, which was within the credit terms granted to us. Our average trade payables turnover days increased from 17 days for the year ended 31 December 2019 to 21 days for the year ended 31 December 2020 and increased to 36 days for the year ended 31 December 2021, primarily due to slower settlement to our suppliers during the period and longer credit terms granted to us. The increase in average trade payables turnover days for 2021 was also driven by purchases of advertising space on digital media and other advertising channels in the fourth quarter of 2021 to support the expanded precision marketing solutions we offered to our clients for promotion of their products.

As at [30 April] 2022, approximately RMB[13.5] million of trade payables, or [79.9]% of the trade payables balance as at 31 December 2021 were subsequently settled.

Other payables and accruals

Our other payables and accruals primarily consisted of payroll payables, contract liabilities, accrued [**REDACTED**], tax payables other than income tax and other payables. Our payroll payables represent our salary, bonus and social security fund payable to our employees. Contract liabilities included short-term advances received before services are rendered. The increases in contract liabilities during the Track Record Period were mainly due to the increase in short-term advances received from clients in relation to the provision of services at the end of each year of the Track Record Period. Tax payables other than income tax represented value-added taxes and personal income taxes withheld in accordance with the relevant PRC laws and regulations. Other payables represented disbursements payable to our employees. Other payables were non-interest-bearing and repayable on demand. As at 31 December 2019, 2020 and 2021, our other payables and accruals were RMB28.0 million, RMB38.4 million and RMB67.6 million, respectively.

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

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Payroll payables	17,521	21,947	33,961
Contract liabilities(1)	9,071	12,672	22,913
Accrued [**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Tax payables other than income tax	847	2,595	4,512
Other payables	522	1,185	1,176
	27,961	38,399	67,586

Note:

(1) Details of contract liabilities are as follows:

	As at 31 December		
	2019	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*
Types of services			
Data Insight Solutions	6,678	8,199	10,631
Data-driven Publications and Events	1,460	284	2,757
SaaS	933	4,189	9,525
	9,071	12,672	22,913

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

Our other payables and accruals increased by approximately 76.0% from RMB38.4 million as at 31 December 2020 to RMB67.6 million as at 31 December 2021, primarily due to (i) an increase in our payroll payables resulting from our increased number of employees; (ii) an increase in our contract liabilities resulting from our signed contracts for Data Insight Solutions and SaaS products; and (iii) our accrued [**REDACTED**] in 2021.

Lease liabilities

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

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

	As at 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Current	3,214	5,570	4,640
Non-current	7,329	22,300	4,974
Lease liabilities	10,543	27,870	9,614

Our lease liabilities increased from RMB10.5 million as at 31 December 2019 to RMB27.9 million as at 31 December 2020, primarily due to a number of new leases we entered into in 2020. Our lease liabilities decreased to RMB9.6 million as at 31 December 2021 as we terminated a long-term lease agreement in January 2021 as the premises were no longer needed for our business requirements.

Non-current assets and liabilities

Our non-current assets primarily consist of property, plant and equipment, advance payments for property, plant and equipment and other intangible assets, right-of-use assets, other receivables, other intangible assets and deferred tax assets. As at 31 December 2019, 2020 and 2021, we had non-current assets of approximately RMB17.4 million, RMB35.0 million and RMB16.6 million, respectively.

Our non-current liabilities primarily consist of lease liabilities. As at 31 December 2019, 2020 and 2021, we had non-current liabilities of approximately RMB7.3 million, RMB22.3 million and RMB5.0 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we had historically funded our cash requirements principally from cash generated from operating activities and capital contribution from shareholders. We require cash for our working capital demands, such as our research and development, purchases of cloud services and software and rental payments under our leases. Our cash and cash equivalents consisted primarily of cash on hand and bank deposits. We had cash and cash equivalents of RMB220.6 million, RMB115.8 million and RMB34.0 million as at 31 December 2019, 2020 and 2021, respectively. We generally deposit our excess cash in interest-bearing bank accounts.

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

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

	For the year ended 31 December		
	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*
Net cash flows from operating activities	57,844	61,598	60,020
Net cash flows used in investing activities	(180,558)	(166,559)	(9,469)
Net cash flows (used in)/from financing activities	(4,053)	103	(132,410)
Net increase/(decrease) in cash and cash equivalents	(126,767)	(104,858)	(81,859)
Cash and cash equivalents at beginning of year	347,402	220,635	115,778
Effect of foreign exchange rate changes, net	–	1	36
Cash and cash equivalents at end of year	220,635	115,778	33,955

Net Cash Flows from Operating Activities

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

For the year ended 31 December 2021, net cash flows from operating activities was approximately RMB60.0 million, which was mainly attributable to (i) profit before tax of approximately RMB95.5 million; (ii) adjustments for income statement items with non-cash effects and non-operating items of approximately RMB1.7 million; and (iii) an outflow of approximately RMB13.1 million for changes in working capital. Our general working capital changes mainly included an increase in trade and notes receivables of approximately RMB55.7 million mainly resulting from increases in our sales of Data Insight Solutions, which was partially offset by (i) an increase in other payables and accruals of approximately RMB27.9 million mainly resulting from an increase in contract liabilities in relation to our Data Insight Solutions and SaaS products and payroll payables in relation to our employee benefits; and (ii) an increase in trade payables of RMB13.2 million.

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

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

Net Cash Flows used in Investing Activities

For the year ended 31 December 2021, net cash flows used in investing activities was approximately RMB9.5 million, which was mainly attributable to purchases of financial assets at fair value through profit or loss of approximately RMB1,101.9 million which was partially offset by disposal of financial assets at fair value through profit or loss of approximately RMB1,090.0 million and investment income received from financial assets at fair value through profit or loss of approximately RMB6.7 million.

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

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

Net Cash Flows (used in)/from Financing Activities

For the year ended 31 December 2021, net cash used in financing activities was approximately RMB132.4 million, which was mainly attributable to (i) a dividend payment of approximately RMB120.1 million; (ii) a payment for [**REDACTED**] of RMB[**REDACTED**]; and (iii) the net effect of approximately RMB1.3 million resulting from (a) a deemed distribution to certain then shareholders of Sinohealth Information of approximately RMB185.5 million for repurchases of the entire interests they held in Sinohealth Information under the reduction of registered capital for Sinohealth Information as part of the Reorganization; and (b) an issue of shares of the Company of approximately RMB184.2 million. See "History, Reorganization and Corporate Structure—Reorganization—Onshore Reorganization—Reduction of Registered Capital of Sinohealth Information" in this document.

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

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

KEY FINANCIAL RATIOS

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

	As at/for the year ended 31 December		
	2019	**2020**	**2021**
Current ratio(1)	11.3	9.2	5.2
Quick ratio(2)	11.2	9.2	5.2
Return on total assets(3)	12.3%	12.0%	13.9%
Return on equity(4)	14.2%	14.7%	18.9%
Gearing ratio(5)	11.3%	16.7%	24.3%
Net profit margin(6)	30.6%	32.3%	22.2%

Notes:

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

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

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

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

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

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

Current Ratio

Our current ratio was approximately 11.3, 9.2 and 5.2 as at 31 December 2019, 2020 and 2021, respectively. Our current ratio decreased from 11.3 as at 31 December 2019 to 9.2 as at 31 December 2020, primarily due to an increase by RMB10.4 million in our other payables and accruals in relation to payroll payables and contract liabilities as a result of increases in number of employees and average employee benefits and our signed contracts for Data Insight Solutions and SaaS products to be delivered in the following year. Our current ratio decreased to 5.2 as at 31 December 2021, primarily due to our dividend declaration and payment of RMB120.1 million in 2021. See "—Discussion of Certain Items from the Consolidated Statements of Financial Position" in this section.

Quick Ratio

Our quick ratio was approximately 11.2, 9.2 and 5.2 as at 31 December 2019, 2020 and 2021, respectively. Due to our business nature, we had not recorded significant inventories during the Track Record Period. Our inventories were RMB0.6 million, RMB0.6 million and RMB0.7 million as at 31 December 2019, 2020 and 2021, respectively. As a result, the movement of our quick ratio did not materially deviate from that of our current ratio as at 31 December 2019, 2020 and 2021.

Return on Total Assets

Our return on total assets was approximately 12.3%, 12.0% and 13.9% for the years ended 31 December 2019, 2020 and 2021, respectively. Our return on total assets remained relatively stable in 2019 and 2020, primarily due to our increase in net profit by RMB11.0 million from 2019 to 2020, partially offset by an increase in our total current assets as at 31 December 2020 primarily due to an increase in financial assets at fair value through profit or loss as we utilized part of our idle cash to purchase wealth management products. Our return on total assets increased to approximately 13.9% in 2021, which was mainly attributable to the increase in our Group's net profit in 2021 and the slight decrease in the Group's total assets due in part to the decrease in cash and cash equivalents as a dividend of RMB120.1 million had been paid in 2021, and partially offset by increases in our trade and notes receivables and financial assets at fair value through profit or loss.

Return on Equity

Our return on equity was approximately 14.2%, 14.7% and 18.9% for the years ended 31 December 2019, 2020 and 2021, respectively. Our return on equity slightly increased from 14.2% in 2019 to 14.7% in 2020, primarily due to an increase in profit attributable to owners of our Company by RMB11.8 million from 2019 to 2020 and an increase in equity attributable to owners of our Company by RMB67.9 million from 31 December 2019 to 31 December 2020. Our return on equity increased to approximately 18.9% in 2021 primarily due to the increase in the profit attributable to owners of our Company in 2021 by RMB10.9 million from 2020 to 2021 and the decrease in the total equity attributable to the owners of our Company resulting from the decrease in our net assets, which was attributable in part to the decrease in cash and cash equivalents as a dividend of RMB120.1 million had been paid in 2021.

Gearing Ratio

Our gearing ratio was approximately 11.3%, 16.7% and 24.3% as at 31 December 2019, 2020 and 2021, respectively. Our lease liabilities increased from 31 December 2019 to 31 December 2020 as we entered into additional leases for office purposes, causing the movement in our gearing ratio. As at 31 December 2021, our total equity decreased slightly as compared to that as at 31 December 2020, while our total liabilities increased, which was primarily due to the increases in (i) our other payables and accruals driven by the increases in our contract liabilities, resulting from our signed contracts for Data Insight Solutions and SaaS products to be delivered in the following year, and payroll payables driven by the increase in our number of employees in 2021; and (ii) our trade payables as we had entered into a number of agreements for placement of advertisements for our clients' products to support provision of our precision marketing solutions in 2021.

Net Profit Margin

Our net profit margin was approximately 30.6% and 32.3% for the years ended 31 December 2019 and 2020, respectively. Our net profit margin was approximately 22.2% for the year ended 31 December 2021. Our net profit margin decreased in 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. For an analysis of our net profit margin during the Track Record Period, see "—Consolidated Statements of Profit or Loss and other comprehensive income" in this section. Our adjusted net profit margin (which is a non-HKFRS measure) for the year ended 31 December 2021 was 28.6%. See "—Non-HKFRS Measures" in this section.

INDEBTEDNESS

As at 31 December 2019, 2020 and 2021, and 30 April 2022, we did not have any bank borrowings or unutilized banking facilities.

As at 31 December 2019, 2020 and 2021, and 30 April 2022, our lease liabilities in respect of our leased properties amounted to RMB10.5 million, RMB27.9 million, RMB9.6 million and RMB9.0 million, respectively.

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

Indebtedness Statement and Confirmation

Except as disclosed in this document or any intra-group liabilities, we did not have any outstanding or authorized to be issued but unissued debt securities, term loans, other borrowings or indebtedness in nature of borrowing, acceptance credits, mortgages and charges, liabilities or guarantees. Save as disclosed above, our Directors confirm that there had been no material adverse change in our indebtedness since 30 April 2022 and up to the date of this document.

CAPITAL EXPENDITURES

Our capital expenditures are primarily incurred for purposes of equipment and software acquisitions and leasehold improvements. Our capital expenditures were RMB4.4 million, RMB1.2 million and RMB3.1 million for the years ended 31 December 2019, 2020 and 2021, respectively.

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

CONTRACTUAL OBLIGATIONS

Capital Commitments

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

Lease Commitments

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

CONTINGENT LIABILITIES

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

OFF-BALANCE SHEET ARRANGEMENTS

As at 31 December 2021, we had not entered into any off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we had certain related party transactions and balances in our normal course of business, including (i) receiving advances from Mr. Wu and Mr. Qin Jianzeng, our Director and a related party, respectively, where such advances were non-trade in nature, unsecured, interest-free and repayable on demand; (ii) disposing of 100% equity interests in Guangzhou Jiasi to Mr. Wu at a consideration of RMB10,000, resulting in a gain on disposal of RMB50,000 in 2020; (iii) Sinohealth Information acquiring 30% equity interests in Sinohealth Pushi in March 2021 from Mr. Qin Jianzeng at a consideration of RMB1.5 million; (iv) Sinohealth Information acquiring the entire equity interests in Guangzhou Jiasi from Mr. Wu at a consideration of RMB1.0 million on 29 April 2021; (v) sales of promotion services to Jiangxi Yaoshunshun for RMB73,000, which was trade in nature, unsecured, interest-free and repayable on demand; and (vi) provision of compensation to key management for employee services. For the years ended 31 December 2019, 2020 and 2021, our total compensation paid to key management personnel was RMB3.3 million, RMB4.8 million and RMB4.4 million, respectively. As at 31 December 2019, 2020 and 2021, our balances due from Mr. Wu were nil, RMB10,000 and nil, respectively. As at 31 December 2021, our balance due from Jiangxi Yaoshunshun, which is considered a related party of our Group as it is considered an associate of our Company under HKFRS, was RMB73,000, which was settled as at the Latest Practicable Date. See "Accountant's Report—Note 31" in Appendix I to this document.

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

WORKING CAPITAL CONFIRMATION

Our future cash requirements will depend on many factors, including our operating income, market acceptance of our solutions and products or other changing business conditions and future developments, including any potential investments or acquisitions we may decide to pursue. We intend to continue to finance our working capital with cash generated from our operating activities and the [**REDACTED**] received from the [**REDACTED**]. During the Track Record Period, our principal uses of cash were for operating activities. We had cash and cash equivalents of approximately RMB220.6 million, RMB115.8 million, RMB34.0 million and RMB18.8 million as at 31 December 2019, 2020 and 2021 and 30 April 2022, respectively. Our cash and cash equivalents decreased during the Track Record Period primarily due to our cash used in payment of a dividend in 2021 and increased investment in wealth management products which were mostly short-term investments with a fixed term of three to six months. See "—Discussion of Certain Items from the Consolidated Statements of Financial Position—Current Assets and Current Liabilities—Financial assets at fair value through profit or loss" in this section.

Our Directors confirm that, taking into account of the existing financial resources available to us including internally generated funds, anticipated cash flow from operations and the estimated [**REDACTED**] to be received by us from the [**REDACTED**] (after a possible Downward [**REDACTED**] Adjustment setting the final [**REDACTED**] up to 10% below the bottom end of the indicative [**REDACTED**] range), we will have available sufficient working capital for our present requirements, that is for at least the next 12 months from the date of this document.

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

FINANCIAL RISK DISCLOSURE

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

Foreign currency risk

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

Credit Risk

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

Liquidity Risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by the management of our Group to finance the operations and mitigate the effects of fluctuations in cash flows. As at 31 December 2019, 2020 and 2021, our total financial liabilities were RMB13.7 million, RMB34.3 million and RMB32.7 million, respectively. A maturity profile of our financial liabilities as at 31 December 2019, 2020 and 2021, based on the contractual undiscounted payments, is disclosed in Note 34 to the Accountants' Report in Appendix I to this document.

DIVIDENDS

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

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

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

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

DISTRIBUTABLE RESERVES

As at 31 December 2021, we had distributable reserves of RMB213.3 million.

[REDACTED]

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

[REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following is an illustrative and [**REDACTED**] statement of adjusted consolidated net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set forth below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets of our Group attributable to equity holders of our Company as at 31 December 2021 as if the [**REDACTED**] had taken place on 31 December 2021.

The [**REDACTED**] statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group had the [**REDACTED**] been completed as at 31 December 2021 or any future date. It is prepared based on our consolidated net assets as at 31 December 2021 as set forth in the Accountants' Report in Appendix I to this document, and adjusted as described below. Our [**REDACTED**] adjusted consolidated net tangible assets do not form part of the Accountants' Report in Appendix I to this document.

	Consolidated net tangible assets attributable to owners of the parent as at 31 December 2021	Estimated [REDACTED] from the [REDACTED]	[REDACTED] adjusted consolidated net tangible assets attributable to owners of the parent as at 31 December 2021	[REDACTED] adjusted consolidated net tangible assets attributable to owners of the parent per share as at 31 December 2021	
	RMB'000	*RMB'000*	*RMB'000*	*RMB*	*HK$ equivalent*
	(Note 1)	*(Note 2)*		*(Note 3)*	*(Note 4)*
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share, after a Downward [**REDACTED**] Adjustment of 10%	415,706	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share.	415,706	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Based on an [**REDACTED**] of HK$[**REDACTED**] per Share.	415,706	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]	[**REDACTED**]

Notes:

(1) The consolidated net tangible assets attributable to owners of the parent as at 31 December 2021 is arrived at after deducting other intangible assets of RMB1,152,000 from the consolidated equity attributable to owners of the parent of RMB416,858,000 as at 31 December 2021 as shown in the Accountants' Report, the text of which is set out in Appendix I to this document.

(2) The estimated [**REDACTED**] from the [**REDACTED**] are calculated based on the [**REDACTED**] of HK$[**REDACTED**] per Share or HK$[**REDACTED**] per Share, and also based on the [**REDACTED**] of HK$[**REDACTED**] (being the low-end of the [**REDACTED**] range set out in this document after making Downward [**REDACTED**] Adjustment of 10%), after deduction of the [**REDACTED**] and related expenses payable by the Company (excluding [**REDACTED**] of RMB[**REDACTED**] which have been charged to profit or loss prior to 31 December 2021) and do not take into account any Shares which may be issued upon exercise of the [**REDACTED**].

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

(4) The [**REDACTED**] adjusted consolidated net tangible assets attributable to owners of the parent per Share are converted into Hong Kong dollars at an exchange rate of RMB1.00 to HK$1.1649.

(5) No adjustment has been made to reflect any trading results or open transactions of the Group entered into subsequent to 31 December 2021.

NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, the Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position or prospects since 31 December 2021, being the end date of the periods reported on in the Accountants' Report included in Appendix I to this document, and there is no event since 31 December 2021 that would materially affect the information as set forth in the Accountants' Report included in Appendix I to this document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as at 31 December 2021, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENTS

Subsequent to the Track Record Period and up to the Latest Practicable Date, China's healthcare insight solutions industry had not experienced material and adverse changes. Our business continued to grow and we strived to enhance our market position. Our business segments and cost structure remained stable. We continued to invest in our research and development of big data and AI technologies, supporting our different business segments with a strategic focus on SaaS products. Our unaudited revenue for the four months ended 30 April 2022 decreased as compared to the same period in 2021, due to the decrease in our revenue generated from our Data-driven Publications and Events as we postponed our 2022 Merchandise Trading Event from March to the end of May, while such event was held in March in 2021. However, for each of our Data Insight Solutions and SaaS segments, we recorded an increase in revenue during the same period. We retained existing clients and also attracted new clients for growth of our business when comparing those periods. Based on our preliminary review of the Group's operating data, with a specific focus on the Group's key business segments:

- ***Data Insight Solutions.*** Within our Data Insight Solutions segment, as at 30 April 2022, we had 96 and 90 backlog contracts that had been entered into but not completed with a total outstanding contract value of approximately RMB68.1 million and RMB32.3 million for our Growth and Investment Decision Solutions and Data-driven Marketing Solutions, respectively, among which, approximately a total of RMB86.9 million are expected to be recognized as our revenue for the year ending 31 December 2022. We covered a total of 110 corporate clients through these backlog contracts.

- ***Data-driven Publications and Events.*** We held our 2022 Merchandise Trading Event at the end of May 2022. The number of attendees for 2022 had dropped as compared to that in 2021 due to travel restrictions and lockdown measures implemented by certain regional governments in response to the spread of COVID-19 cases. Therefore, we may plan to hold another Merchandise Trading Event in the second half of 2022 to satisfy the demands of those who were unable to attend such event at the end of May.

- ***SaaS.*** Our SaaS business continued to grow with our enhanced capabilities, market recognition, marketing efforts and cross-selling opportunities. 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 a total of RMB13.3 million are expected to be recognized as our revenue for the year ending 31 December 2022. We covered a total of 127 corporate clients through these backlog contracts.

See "Summary—Recent Developments" in this document.