

The following is the text of a report set out on pages [I-1] to [I-93], received from the Company’s reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document.

Deloitte.

德勤

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF DINGDANG HEALTH TECHNOLOGY GROUP LTD. (FORMERLY KNOWN AS DINGDANG MEDICINE EXPRESS LTD.) AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Dingdang Health Technology Group Ltd. (formerly known as Dingdang Medicine Express Ltd.) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages [I-4] to [I-93], which comprises the consolidated statements of financial position of the Group as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the statements of financial position of the Company as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the four years ended December 31, 2021 and the three months ended March 31, 2022 (the “Track Record Period”) and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages [I-4] to [I-93] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the “Document”) in connection with the initial [REDACTED] of shares (the “[REDACTED]”) of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1.2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

APPENDIX I

ACCOUNTANTS’ REPORT

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1.2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the Group’s and the Company’s financial position as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022 and of the Group’s financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1.2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended March 31, 2021 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 1.2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by International Auditing and Assurance Standards Board. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 1.2 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS' REPORT

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

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

Dividends

We refer to Note 30 to the Historical Financial Information which contains information about the dividends paid by the Company's subsidiaries in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong

[Date]

APPENDIX I

ACCOUNTANTS’ REPORT

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards (“IFRSs”) issued by International Accounting Standards Board (the “IASB”) and were audited by us in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board.

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,				Three months ended March 31,	
		2018	2019	2020	2021	2021	2022
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
							(unaudited)
Revenue	5B	584,612	1,275,589	2,228,563	3,678,690	779,712	987,407
Cost of revenue		(344,373)	(805,635)	(1,462,370)	(2,516,379)	(542,788)	(652,986)
Gross profit		240,239	469,954	766,193	1,162,311	236,924	334,421
Fulfillment expenses		(97,510)	(199,676)	(283,178)	(412,279)	(96,311)	(112,374)
Selling and marketing expenses		(140,934)	(278,464)	(441,310)	(834,783)	(159,079)	(208,768)
Research and development expenses		(31,393)	(52,363)	(82,071)	(96,161)	(19,496)	(22,641)
General and administrative expenses		(36,689)	(57,900)	(120,968)	(481,256)	(39,013)	(100,693)
Fair value losses on financial liabilities at fair value through profit or loss (“FVTPL”)		(33,620)	(150,685)	(754,591)	(912,201)	(669,357)	(280,615)
Other gains and losses, net	7	3,095	4,176	11,049	27,983	6,967	(2,556)
Other income	8	4,074	5,145	16,230	15,905	3,464	4,487
Finance costs	9	(3,797)	(5,571)	(6,061)	(17,776)	(2,040)	(1,952)
Share of result of an associate		–	(91)	(256)	–	–	–
Impairment losses under expected credit loss (“ECL”) model, net of reversal	10	(214)	(221)	(3,153)	(265)	(595)	(1,116)
[REDACTED]		–	–	(2,771)	(33,337)	(6,663)	(10,280)
Loss before income tax	6	<u>(96,749)</u>	<u>(265,696)</u>	<u>(900,887)</u>	<u>(1,581,859)</u>	<u>(745,199)</u>	<u>(402,087)</u>
Income tax expense	13	(6,423)	(8,236)	(18,793)	(17,115)	(3,717)	(2,329)
Loss and total comprehensive expense for the year/period		<u>(103,172)</u>	<u>(273,932)</u>	<u>(919,680)</u>	<u>(1,598,974)</u>	<u>(748,916)</u>	<u>(404,416)</u>
(Loss)/profit and total comprehensive (expense)/income for the year/period attributable to:							
Owners of the Company		(107,583)	(276,635)	(924,250)	(1,578,026)	(744,408)	(398,862)
Non-controlling interests		4,411	2,703	4,570	(20,948)	(4,508)	(5,554)
		<u>(103,172)</u>	<u>(273,932)</u>	<u>(919,680)</u>	<u>(1,598,974)</u>	<u>(748,916)</u>	<u>(404,416)</u>
Loss per share (present in RMB YUAN)							
– Basic	14	(0.42)	(1.08)	(3.62)	(3.31)	(2.92)	(0.63)
– Diluted	14	(0.42)	(1.08)	(3.62)	(3.31)	(2.92)	(0.63)

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As of December 31,				As of
		2018	2019	2020	2021	March 31,
		RMB'000	RMB'000	RMB'000	RMB'000	2022
						RMB'000
Assets						
Non-current assets						
Property and equipment	16	28,437	45,373	46,430	45,013	45,621
Right-of-use assets	20	66,652	126,914	151,383	168,518	165,682
Goodwill	18	20,881	85,504	256,417	255,762	255,762
Other intangible assets	15	4,060	45,400	230,068	199,241	190,416
Investment in an associate	17	–	389	–	–	–
Rental deposits	22	2,059	5,344	8,431	9,932	10,509
Total non-current assets		<u>122,089</u>	<u>308,924</u>	<u>692,729</u>	<u>678,466</u>	<u>667,990</u>
Current assets						
Inventories	21	62,724	168,549	323,470	434,022	518,971
Trade and other receivables and prepayments	22	34,404	87,932	187,584	279,591	308,376
Amounts due from related parties .	36	1,148	814	309	1,086	1,200
Financial assets at FVTPL	19	81,882	43,267	321,480	–	38,790
Cash and cash equivalents	23	46,242	144,691	260,574	1,552,994	1,498,232
Total current assets		<u>226,400</u>	<u>445,253</u>	<u>1,093,417</u>	<u>2,267,693</u>	<u>2,365,569</u>
Total assets		<u>348,489</u>	<u>754,177</u>	<u>1,786,146</u>	<u>2,946,159</u>	<u>3,033,559</u>
Equity						
Paid-in capital/share capital	27	50,156	50,156	50,156	403	403
Reserves		28,060	34,158	48,336	422,496	491,915
Accumulated losses		(248,643)	(531,376)	(1,456,907)	(3,035,146)	(3,434,008)
Equity attributable to owners of the Company		<u>(170,427)</u>	<u>(447,062)</u>	<u>(1,358,415)</u>	<u>(2,612,247)</u>	<u>(2,941,690)</u>
Non-controlling interests		<u>9,245</u>	<u>9,652</u>	<u>53,373</u>	<u>22,418</u>	<u>16,864</u>
Total equity		<u>(161,182)</u>	<u>(437,410)</u>	<u>(1,305,042)</u>	<u>(2,589,829)</u>	<u>(2,924,826)</u>
Liabilities						
Non-current liabilities						
Contract liabilities	5B	3,383	5,378	9,756	8,899	5,389
Lease liabilities	20	44,698	79,983	87,388	95,629	91,038
Financial liabilities at FVTPL	25	101,316	763,883	2,343,474	4,650,950	4,931,565
Deferred tax liabilities	26	1,076	10,119	49,065	41,581	39,710
Total non-current liabilities		<u>150,473</u>	<u>859,363</u>	<u>2,489,683</u>	<u>4,797,059</u>	<u>5,067,702</u>
Current liabilities						
Trade and other payables	24	193,459	247,387	440,697	586,651	692,910
Financial liabilities at FVTPL	25	111,882	–	–	–	–
Amounts due to related parties . . .	36	5,696	14,233	45,568	22,512	72,934
Contract liabilities	5B	26,779	25,996	50,653	59,780	57,805
Lease liabilities	20	18,448	38,994	53,865	61,383	62,834
Income tax payable		2,934	5,614	10,124	8,603	4,200
Deferred income		–	–	598	–	–
Total current liabilities		<u>359,198</u>	<u>332,224</u>	<u>601,505</u>	<u>738,929</u>	<u>890,683</u>
Total liabilities		<u>509,671</u>	<u>1,191,587</u>	<u>3,091,188</u>	<u>5,535,988</u>	<u>5,958,385</u>
Total equity and liabilities		<u>348,489</u>	<u>754,177</u>	<u>1,786,146</u>	<u>2,946,159</u>	<u>3,033,559</u>

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As of December 31,				As of
		2018	2019	2020	2021	March 31,
		RMB’000	RMB’000	RMB’000	RMB’000	2022
					RMB’000	
Assets						
Non-current assets						
Investments in subsidiaries	38	–	–	3,574	3,313,802	3,383,221
Total non-current assets		–	–	3,574	3,313,802	3,383,221
Current assets						
Trade and other receivables and prepayments	22	–	–	806	8,248	11,339
Amounts due from related parties	36	–	–	–	1,279,479	1,270,587
Cash and cash equivalents	23	231	225	204	189,393	185,772
Total current assets		231	225	1,010	1,477,120	1,467,698
Total assets		231	225	4,584	4,790,922	4,850,919
Equity						
Share capital	27	156	156	156	403	403
Reserves	28	–	–	3,574	327,616	397,035
Accumulated losses		(21)	(30)	(2,393)	(221,434)	(524,685)
Total equity		135	126	1,337	106,585	(127,247)
Liabilities						
Non-current liabilities						
Financial liabilities at FVTPL	25	–	–	–	4,650,950	4,931,565
Total non-current liabilities		–	–	–	4,650,950	4,931,565
Current liabilities						
Trade and other payables	24	–	–	–	6,905	13,133
Amounts due to related parties	36	96	99	3,247	26,482	33,468
Total current liabilities		96	99	3,247	33,387	46,601
Total liabilities		96	99	3,247	4,684,337	4,978,166
Total equity and liabilities		231	225	4,584	4,790,922	4,850,919

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Notes	Attributable to owners of the Company							Total equity RMB’000
	Paid-in capital/share capital RMB’000	Other reserves RMB’000	Share- based payments reserves RMB’000	Statutory reserves RMB’000 (Note i)	Accumulated losses RMB’000	Sub-total RMB’000	Non- controlling interests (the “NCF”) RMB’000	
As of January 1, 2018	50,156	20,433	—	3,260	(136,693)	(62,844)	4,234	(58,610)
(Loss)/profit and total comprehensive (expense)/income for the year	—	—	—	—	(107,583)	(107,583)	4,411	(103,172)
Transfer to statutory reserves	—	—	—	4,367	(4,367)	—	—	—
Capital contribution from a non- controlling shareholder	—	—	—	—	—	—	600	600
As of December 31, 2018	50,156	20,433	—	7,627	(248,643)	(170,427)	9,245	(161,182)
(Loss)/profit and total comprehensive (expense)/income for the year	—	—	—	—	(276,635)	(276,635)	2,703	(273,932)
Transfer to statutory reserves	—	—	—	6,098	(6,098)	—	—	—
Capital contribution from a non- controlling shareholder	—	—	—	—	—	—	3,000	3,000
Dividends	—	—	—	—	—	—	(4,778)	(4,778)
Arising on acquisition of subsidiaries	—	—	—	—	—	—	(518)	(518)
As of December 31, 2019	50,156	20,433	—	13,725	(531,376)	(447,062)	9,652	(437,410)
(Loss)/profit and total comprehensive (expense)/income for the year	—	—	—	—	(924,250)	(924,250)	4,570	(919,680)
Transfer to statutory reserves	—	—	—	1,281	(1,281)	—	—	—
Capital contribution from non- controlling shareholders	—	—	—	—	—	—	1,380	1,380
Dividends	—	—	—	—	—	—	(7,585)	(7,585)
Arising on acquisition of subsidiaries	—	—	—	—	—	—	46,567	46,567
Acquisition of additional interest of a subsidiary	—	(167)	—	—	—	(167)	167	—
Disposal of a subsidiary	—	—	—	—	—	—	(1,378)	(1,378)
Share-based payments expenses	—	—	13,064	—	—	13,064	—	13,064
As of December 31, 2020	50,156	20,266	13,064	15,006	(1,456,907)	(1,358,415)	53,373	(1,305,042)

APPENDIX I

ACCOUNTANTS’ REPORT

		Attributable to owners of the Company							
Notes	Paid-in capital/share capital	Other reserves	Share-based payments	Statutory reserves	Accumulated losses	Sub-total	Non-controlling interests (the “NCI”)	Total equity	
									RMB’000
	Loss and total comprehensive expense for the year	-	-	-	-	(1,578,026)	(20,948)	(1,598,974)	
	Transfer to statutory reserves	-	-	213	(213)	-	-	-	
	Issuance of ordinary shares to shareholders of the Company	378	-	-	-	378	-	378	
27	Capital reduction by shareholders of the Company	(131)	131	-	-	-	-	-	
	Adjustment arising from the Reorganization (Note ii)	(50,000)	50,000	-	-	-	-	-	
30	Dividends	-	-	-	-	-	(10,102)	(10,102)	
	Capital contribution from non-controlling shareholders (Note iii)	-	-	-	-	-	2,800	2,800	
	Disposal of partial interest of subsidiaries without losing control (Note iii)	-	3,306	-	-	3,306	(3,306)	-	
	Acquisition of additional interest of a subsidiary (Note iii)	-	(3,401)	-	-	(3,401)	601	(2,800)	
29	Share-based payments expenses	-	-	323,911	-	323,911	-	323,911	
	As of December 31, 2021	403	70,302	336,975	15,219	(3,035,146)	22,418	(2,589,829)	
	Loss and total comprehensive expense for the period	-	-	-	-	(398,862)	(5,554)	(404,416)	
29	Share-based payments expenses	-	-	69,419	-	69,419	-	69,419	
	As of March 31, 2022	403	70,302	406,394	15,219	(3,434,008)	16,864	(2,924,826)	
	(Unaudited)								
	As of January 1, 2021	50,156	20,266	13,064	15,006	(1,456,907)	53,373	(1,305,042)	
	Loss and total comprehensive expense for the period	-	-	-	-	(744,408)	(4,508)	(748,916)	
30	Dividends	-	-	-	-	-	(10,102)	(10,102)	
29	Share-based payments expenses	-	-	3,153	-	3,153	-	3,153	
	As of March 31, 2021	50,156	20,266	16,217	15,006	(2,201,315)	38,763	(2,060,907)	

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- i. In accordance with the articles of association of the subsidiaries established in the People’s Republic of China (the “PRC”) and relevant PRC laws and regulations, these subsidiaries are required to transfer at least 10% of their profit after tax, which is determined in accordance with the PRC accounting rules and regulations, to a statutory reserve (including the general reserve fund and enterprise expansion fund, where appropriate). Transfer to this statutory reserve is subject to the approval of the respective director, and is discretionary when the balance of such fund has reached 50% of the registered capital of the respective company. Statutory reserve can only be used to offset accumulated losses or to increase capital of the relevant subsidiaries.
- ii. The paid-in capital of Dingdang Medicine Express Technology Group Ltd.* (叮噹快藥科技集團有限公司) (“Dingdang Medicine Express Technology”) of RMB50,000,000 was transferred to other reserves upon the completion of the reorganization.
- iii. On April 19, 2021, Dingdang (Beijing) Health Management Co., Ltd.* (叮噹(北京)健康管理有限公司) (“Dingdang Beijing”) was established by Dingdang Medicine Express Technology and an independent third party TD Capital (Hong Kong) Management Company Limited (同道資本(香港)管理有限公司) (“TD HK”) by holding 99% and 1% of its equity interest, respectively. The capital contribution from TD HK and the then NCI raised was RMB2,800,000.

After the establishment, Dingdang Medicine Express Technology transferred 8 wholly owned subsidiaries with net liabilities position to Dingdang Beijing, resulting the Group’s equity interest in those 8 subsidiaries decreased from 100% to 99%.

On May 26, 2021, the Company’s subsidiary Dingdang Kuaiyao (Beijing) Technology Development Co., Ltd.* (叮噹快藥(北京)技術開發公司) (the “WFOE”) acquired the 1% NCI in Dingdang Beijing from TD HK at a cash consideration of RMB2,800,000.

* *English names are for identification purpose only.*

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
Loss before income tax	(96,749)	(265,696)	(900,887)	(1,581,859)	(745,199)	(402,087)
Adjustments for:						
Finance costs	3,797	5,571	6,061	17,776	2,040	1,952
Interest income	(1,376)	(2,569)	(3,539)	(4,165)	(976)	(2,265)
Foreign exchange (gains)/losses	–	–	–	(11,922)	–	6,496
Share of result of an associate	–	91	256	–	–	–
Depreciation of property and equipment	12,962	16,782	20,879	21,650	5,425	5,146
Depreciation of right-of-use assets	19,561	35,593	47,742	78,404	15,887	19,083
Amortization of other intangible assets	590	5,108	6,257	35,232	8,785	8,825
Impairment loss, net of reversal – financial assets under ECL model	214	221	3,153	265	595	1,116
– Inventories	–	–	870	(720)	32	198
Share-based payments expenses	–	–	13,064	323,911	3,153	69,419
Loss/(gain) on disposal of property and equipment	412	(3)	25	(90)	1	(448)
Loss/(gain) on early termination of a lease	–	–	–	31	–	(9)
Gain on fair value changes of financial assets at FVTPL	(2,824)	(4,551)	(8,946)	(10,273)	(2,008)	(3,186)
Loss on fair value changes of financial liabilities at FVTPL	33,620	150,685	754,591	912,201	669,357	280,615
Gain on acquisition of subsidiary	(308)	–	–	–	–	–
Loss/(gain) on disposal/deregistration of subsidiaries	–	1,292	(1,072)	434	–	–
Operating cash flows before movements in working capital	(30,101)	(57,476)	(61,546)	(219,125)	(42,908)	(15,145)
Increase in inventories	(28,684)	(84,697)	(115,972)	(109,832)	(63,951)	(85,147)
Decrease/(increase) in trade and other receivables and prepayments	5,296	(44,684)	(83,088)	(89,617)	(17,413)	(28,703)
(Increase)/decrease in amounts due from related parties	(1,148)	334	521	(793)	(111)	(114)
Increase/(decrease) in trade and other payables	45,383	(84,493)	60,960	136,621	89,891	105,650
Increase/(decrease) in contract liabilities	17,536	3,366	18,461	8,270	(1,948)	(5,485)
Increase/(decrease) in deferred income	–	–	598	(598)	(271)	–
Increase in amounts due to related parties	5,479	8,485	2,610	5,704	25,192	50,424
Cash generated from/(used in) operations	13,761	(259,165)	(177,456)	(269,370)	(11,519)	21,480
Income taxes paid	(3,594)	(6,732)	(15,590)	(26,120)	(5,032)	(8,603)
Net cash from/(used in) operating activities	10,167	(265,897)	(193,046)	(295,490)	(16,551)	12,877

APPENDIX I

ACCOUNTANTS’ REPORT

	Notes	Year ended December 31,				Three months ended March 31,	
		2018	2019	2020	2021	2021	2022
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
							(unaudited)
Investing activities							
Interest received		1,304	2,411	3,266	3,781	541	2,163
Proceeds on disposal of property and equipment		122	14	94	323	11	450
Proceeds on disposal of other intangible assets		–	–	19	74	38	–
Acquisition of investment in an associate		–	(480)	–	–	–	–
Proceeds on deregistration of an associate		–	–	133	–	–	–
Purchases of financial assets at FVTPL		(692,179)	(1,956,673)	(3,607,813)	(3,805,390)	(886,309)	(1,689,920)
Redemption of financial assets at FVTPL		766,523	2,005,418	3,340,771	4,137,143	1,127,044	1,654,316
Purchases of property and equipment		(10,540)	(20,276)	(19,595)	(20,466)	(3,840)	(5,756)
Payments for right-of-use assets		(228)	(1,848)	(493)	(4,367)	(160)	(1,517)
Purchases of other intangible assets		(206)	(5,447)	(2,751)	(4,479)	(3,321)	–
Advances to related parties		–	–	(16)	–	(5)	–
Repayments from related parties		–	–	–	16	–	–
Net cash outflow on acquisition of subsidiaries	31	(20,764)	(13,169)	(204,275)	–	–	–
Net cash inflow on disposal of subsidiaries	32	–	627	4,189	–	–	–
Net cash from/(used in) investing activities		44,032	10,577	(486,471)	306,635	233,999	(40,264)

APPENDIX I

ACCOUNTANTS’ REPORT

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Financing activities						
Dividends paid to non-controlling shareholders	–	(4,778)	(6,330)	(1,255)	(1,171)	–
Advance from related parties	217	57	28,785	43	1,249	–
Repayments to related parties	–	(5)	(60)	(28,803)	(28,380)	(2)
Repayments of lease liabilities	(18,097)	(35,934)	(46,850)	(75,207)	(20,142)	(17,861)
Interest paid	(3,797)	(5,571)	(6,061)	(17,776)	(2,040)	(1,952)
Redemption of shares with preferred rights	–	–	–	(1,345,000)	–	–
Proceeds on issue of shares with preferred rights	–	400,000	825,000	–	–	–
Proceeds on issue of Preferred Shares* of the Company	–	–	–	2,740,275	–	–
Capital contributions from non-controlling shareholders of subsidiaries	600	–	980	3,550	–	–
Acquisition of NCI in a subsidiary	–	–	–	(2,800)	–	–
Other borrowing raised	–	–	–	1,270,000	–	–
Repayment of other borrowing	–	–	–	(1,267,800)	–	–
Payments of [REDACTED]	–	–	(64)	(4,052)	(577)	(1,064)
Share issuance to shareholders of the Company	–	–	–	378	–	–
Net cash (used in)/from financing activities	(21,077)	353,769	795,400	1,271,553	(51,061)	(20,879)
Net increase/(decrease) in cash and cash equivalents	33,122	98,449	115,883	1,282,698	166,387	(48,266)
Cash and cash equivalents at the beginning of the year/period	13,120	46,242	144,691	260,574	260,574	1,552,994
Effect of foreign exchange rate changes on cash and cash equivalents	–	–	–	9,722	–	(6,496)
Cash and cash equivalents at the end of the year/period, represented by	46,242	144,691	260,574	1,552,994	426,961	1,498,232

* Defined in Note 25.

APPENDIX I

ACCOUNTANTS’ REPORT

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

1.1 General information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 20, 2014. Upon incorporation, one subscriber share was issued and allotted to the initial subscriber, Sertus Nominees (Cayman) Limited, who subsequently transferred such share to Alliance Flow Limited (互益有限公司) on the same date. The Company also allotted one share to Golden Mission Group Limited on the same date. On November 12, 2014, the shares held by Alliance Flow Limited and Golden Mission Group Limited were transferred to Delight Faith Limited (興信有限公司) and Go Far Limited (金發有限公司), respectively, both of which are controlled by Mr. Yang Wenlong (the “Controlling Shareholder”). On April 30, 2015, the Company issued 127,499,999 shares to each of Delight Faith Limited and Go Far Limited. The Company was owned by Delight Faith Limited and Go Far Limited as to 50% and 50%, respectively, as of December 31, 2018 and 2019. The addresses of the Company’s registered office and the principal place of business are disclosed in the section “Corporate Information” in the Document. The Company is an investment holding company and its subsidiaries are principally engaged in the provision of pharmaceutical and healthcare business in the PRC.

On September 11, 2014, Dingdang Health Technology Group (HK) Limited (叮噹健康科技集團(香港)有限公司) was incorporated under the laws of Hong Kong as a wholly owned subsidiary of the Company. Dingdang Health Technology Group (HK) Limited further incorporated WFOE under the laws of PRC as its wholly-owned foreign enterprise in the PRC on September 30, 2016.

The Historical Financial Information is presented in the currency of RMB, which is also the functional currency of the Company.

No statutory audited financial statements were issued for the Company since the Company is incorporated in a jurisdiction where there is no statutory audit requirement.

1.2 Group Restructuring and Basis of Preparation and Presentation of Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out in Note 3, which conform with IFRSs issued by the IASB and the conventions applicable for the Reorganization (details are set out below).

During the Track Record Period, the main operating activities of the Group were carried out by Dingdang Medicine Express Technology and its subsidiaries, which were principally engaged in the pharmaceutical and healthcare business. All of these entities were established and operated in the PRC (collectively the “PRC Operating Entities”).

Dingdang Medicine Express Technology was established as a company with limited liability by Mr. Yang Yibin and Mr. Yang Xiao in the PRC in September 2014. In March 2015, the Controlling Shareholder, being the father of Mr. Yang Yibin and Mr. Yang Xiao, subscribed paid-in capital in Dingdang Medicine Express Technology, since when the Controlling Shareholder has historically and throughout the Track Record Period been controlling the entities now comprising the Group.

In preparation for the [REDACTED] of the Company on the Stock Exchange, the entities comprising the Group underwent a group reorganization (the “Reorganization”) as described below, pursuant to which the Company became the holding company and [REDACTED] vehicle of the Group.

Prior to the Reorganization, Dingdang Medicine Express Technology was held by the Controlling Shareholder, Zhuhai Dingdang No. 1 Enterprise Management Consulting Center (Limited Partnership)* (珠海叮噹一號企業管理諮詢中心(有限合夥)) (“Dingdang No. 1”), Zhuhai Dingdang No. 2 Enterprise Management Consulting Center (Limited Partnership)* (珠海叮噹二號企業管理諮詢中心(有限合夥)) (“Dingdang No. 2”), Zhuhai Dingdang No. 3 Enterprise Management Consulting Center (Limited Partnership)* (珠海叮噹三號企業管理諮詢中心(有限合夥)), (“Dingdang No. 3”), Zhuhai Dingdang No. 4 Investment Center (Limited Partnership)* (珠海叮噹四號投資中心(有限合夥)) (“Dingdang No. 4”) and a group of independent investors (the “Pre-[REDACTED] Investors”).

Dingdang No. 1, Dingdang No. 2, Dingdang No. 3, and Dingdang No. 4 are managed by the same general partner, Beijing Dingdang Wisdom Business Consulting Co., Ltd.* (北京叮噹智慧商務諮詢有限公司), which is owned by the Controlling Shareholder and Mr. Yang Yibin. Besides, each limited partners of Dingdang No. 1, Dingdang No. 2 and Dingdang No. 3 has entrusted the Controlling Shareholder to exercise the voting rights held by them in Dingdang No. 1, Dingdang No. 2 and Dingdang No. 3.

APPENDIX I

ACCOUNTANTS’ REPORT

The Reorganization comprised the following steps:

1. On December 31, 2020, Delight Faith Limited and Go Far Limited transferred all the shares held by them in the Company to their respective wholly owned subsidiaries, being Delight Health Limited (健興有限公司) and Future Health Limited (健發有限公司). After the completion of the transfer, the Company is owned by Delight Health Limited and Future Health Limited as to 50% and 50%, respectively, as of December 31, 2020.
2. On December 31, 2020, Dingdang Health Limited (叮嚀健康有限公司) was established under the laws of British Virgin Islands as a wholly owned subsidiary of the Company. The shares held by the Company in Dingdang Health Technology Group (HK) Limited were fully transferred to Dingdang Health Limited and thus Dingdang Health Technology Group (HK) Limited became the wholly owned subsidiary of Dingdang Health Limited.
3. Pursuant to the written resolution of the shareholders of Dingdang Medicine Express Technology dated March 1, 2021, the Pre-[REDACTED] Investors would reduce and withdraw their paid-in capital in Dingdang Medicine Express Technology (the “Capital Reduction”) afterwards. Upon completion of the Capital Reduction on May 20, 2021, such Pre-[REDACTED] Investors ceased to be the shareholders of Dingdang Medicine Express Technology, and Dingdang Medicine Express Technology is owned by the Controlling Shareholder, Dingdang No. 1, Dingdang No. 2, Dingdang No. 3, and Dingdang No. 4.
4. On April 19, 2021, Dingdang (Beijing) was established under the laws of the PRC as a sino-foreign joint venture enterprise, Dingdang Beijing was held by Dingdang Medicine Express Technology and TD HK, as to 99% and 1% of its equity interest, respectively.
5. Dingdang Medicine Express Technology and Dingdang Beijing entered into a share transfer agreement, pursuant to which Dingdang Medicine Express Technology agreed to transfer and Dingdang Beijing agreed to acquire the following subsidiaries (the “Non-restricted Subsidiaries”):
 - (i) 70% of the equity interest in Dingdang Good Health Technology (Beijing) Co., Ltd.* (叮嚀好健康科技(北京)有限公司) (“Dingdang Good Health”) on April 28, 2021;
 - (ii) 70% of the equity interest in Beijing Dingdang Youpin Technology Co., Ltd.* (北京叮嚀優品技術有限公司) (“Dingdang Youpin”) on April 28, 2021;
 - (iii) 60% of the equity interest in Dingdang Good Mood Health Management (Beijing) Co., Ltd.* (叮嚀好心情健康管理(北京)有限公司) (“Dingdang Good Mood”) on April 28, 2021;
 - (iv) 52% of the equity interest in Renhe Yaofangwang (Beijing) Medicine Technology Co., Ltd.* (仁和藥房網(北京)醫藥科技有限公司) (“Renhe Yaofangwang”) on May 11, 2021;
 - (v) 75% of the equity interest in Jiangxi Dingdangyun Big Data Management Co., Ltd.* (江西叮嚀雲大數據管理有限公司) (“Jiangxi Dingdangyun”) on May 11, 2021;
 - (vi) 85% of the equity interest in Jiangxi Renhetang Pharmaceutical Chain Co., Ltd.* (江西仁和堂醫藥連鎖有限公司) (“Jiangxi Renhetang”) on May 11, 2021;
 - (vii) 100% of the equity interest in Jiangxi Dingdang E-Commerce Co., Ltd.* (江西叮嚀電子商務有限公司) (“Jiangxi Dingdang E-Commerce”) on May 11, 2021; and
 - (viii) 51% of the equity interest in Jiangxi Dingdang Lexiang E-Commerce Co., Ltd.* (江西叮嚀樂享電子商務有限公司) (“Dingdang Lexiang”) on May 12, 2021.
6. On May 25, 2021, the WFOE, Dingdang Medicine Express Technology, the Controlling Shareholder, Dingdang No. 1, Dingdang No. 2, Dingdang No. 3, and Dingdang No. 4 entered into a series of contractual arrangements (collectively, the “Contractual Arrangements”), which allows the Company to exercise control over the business operation of Dingdang Medicine Express Technology and certain of its subsidiaries (collectively, the “Restricted Subsidiaries”) and enjoy all the economic interests derived therefrom. See the section headed “Contractual Arrangements” below for further details.
7. On May 25, 2021, the Company, Dingdang Medicine Express Technology and the Pre-[REDACTED] Investors investing in Dingdang Medicine Express Technology (including their respective offshore investment vehicles, where applicable), entered into a share purchase agreement, pursuant to which the Pre-[REDACTED] Investors agreed to subscribe for certain number of shares of the Company as the case may be, to reflected the rights, obligations and shareholding in Dingdang Medicine Express Technology held by the Pre-[REDACTED] Investors immediately preceding the Capital Reduction.
8. On May 26, 2021, the WFOE acquired 99% of the equity interest in Dingdang Beijing held by Dingdang Medicine Express Technology and 1% of the equity interest in Dingdang Beijing held by TD HK. Upon completion of such acquisitions, Dingdang Beijing became a wholly-owned subsidiary of the WFOE.

* English names are for identification purpose only.

APPENDIX I

ACCOUNTANTS' REPORT

Upon the completion of the Reorganization, the Company became the holding Company of the PRC Operation Entities. Prior to the completion of Reorganization, the Company and its subsidiaries does not involve in any other business and the Reorganization has not resulted in any change of economic substance and the Company and its subsidiaries' operations do not meet the definition of a business. The Group resulting from the Reorganization is regarded as a continuation of the Company and its subsidiaries and Dingdang Medicine Express Technology and its subsidiaries. The Historical Financial Information has been prepared on the basis as if the Company had always been the holding company of Dingdang Medicine Express Technology. For the purpose of this report, the Historical Financial Information has been prepared and presented using the carrying value of the Company and its subsidiaries and Dingdang Medicine Express Technology and its subsidiaries for all periods presented as if the Reorganization had been completed before the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence and Dingdang Medicine Express Technology and its subsidiaries had been operated by the Company and its subsidiaries throughout the Track Record Period, or since their respective dates of incorporation or acquisition, where there is a shorter period.

The consolidated statements of financial position of the Group as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022 have been prepared to present the assets and liabilities of the companies now comprising the Group at the carrying amounts shown in the financial statements of the relevant entities, as if the current group structure had been in existence and Dingdang Medicine Express Technology and its subsidiaries had been operated by the Company and its subsidiaries at those dates taking into account their respective dates of incorporation or acquisition.

Contractual Arrangements

On May 25, 2021, the Contractual Arrangements were signed to comply with the relevant laws and regulations in the PRC which restrict foreign ownership of the companies engaged in business of value-added telecommunication service and the online hospital service carried out by the Group, which included exclusive business cooperation agreement, exclusive purchase option agreement, equity pledge agreement, proxy agreement, loan agreement, LP undertaking and spouse undertaking. These Contractual Arrangements can be extended at WFOE's options prior to the expiration date.

The Contractual Arrangements enable the WFOE to control the Restricted Subsidiaries by:

- Irrevocably exercising equity holders' voting rights of Restricted Subsidiaries;
- Exercising effective financial and operational control over of Restricted Subsidiaries;
- Receiving substantially all of the economic interest returns generated by Restricted Subsidiaries in consideration for the technology consulting and services provided by WFOE. WFOE has obligation to grant interest-free loans to the relevant shareholders of Restricted Subsidiaries with the sole purpose of providing funds necessary for the capital contribution to Restricted Subsidiaries;
- Obtaining an irrevocable and exclusive right which WFOE may exercise at any time to purchase all or part of the equity interests in Restricted Subsidiaries from its shareholders at a minimum purchase price permitted under the PRC laws and regulations; and
- Obtaining a pledge over the entire equity interests of Restricted Subsidiaries from its shareholders as collateral security for all of Restricted Subsidiaries' payments due to WFOE and to secure performance of Restricted Subsidiaries' obligation under the Contractual Arrangements.

Total assets of the Group's Restricted Subsidiaries were RMB181 million, RMB568 million, RMB1,382 million, RMB1,328 million and RMB383 million as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, respectively, and these balances have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

Total revenue of the Group's Restricted Subsidiaries was RMB54 million, RMB65 million, RMB135 million, RMB223 million and RMB72 million for the years ended December 31, 2018, 2019, 2020 and 2021 and three months ended March 31, 2022, respectively, and these amounts have been reflected in the Group's consolidated financial statements with intercompany balances and transactions between the consolidated affiliated entities, the subsidiaries of the consolidated affiliated entities and other entities within the Group eliminated.

As of March 31, 2022, the Group had net liabilities of RMB2,925 million and accumulated losses of RMB3,434 million, primarily due to the significant fair value changes of the Preferred Shares. The definition and details of these Preferred Shares are set out in Note 25. Under any circumstances, no significant cash flow impact is expected in the next twelve months from the date of the report for the Preferred Shares. In addition, the Group has performed a working capital forecast for the next twelve months. Taking into account the financial resources available to the Group, including cash and

APPENDIX I

ACCOUNTANTS’ REPORT

cash equivalents on hand, the directors of the Company believe that the Group will have sufficient cash resources to satisfy its future working capital in the next twelve months from the date of the report. The directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the International Accounting Standards (“IASs”), the IFRSs, amendments to IFRSs and the related interpretations issued by the IASB, which are effective for the accounting period beginning on January 1, 2022 throughout the Track Record Period.

New and amendments to IFRSs in issue but not yet effective

The Group has not adopted the following new standards and amendments to IFRS that have been issued but not yet effective:

Standards/Amendments	Content	Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts and related Amendments	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023

The Group expects that the new standards and amendments listed above are unlikely to have any material impact on the Group’s consolidated financial statements in the future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

APPENDIX I

ACCOUNTANTS' REPORT

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3.1 Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities (including affiliated entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on combination.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognized. A gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate.

3.2 Business combinations or asset acquisitions

Optional concentration test

Effective from January 1, 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

APPENDIX I

ACCOUNTANTS' REPORT

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting issued in September 2010)*.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date; and
- lease liabilities are recognized and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases are new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognized and measured at the same amount as the relevant lease liabilities, adjusted to reflect favorable or unfavorable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as of acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

3.3 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

APPENDIX I

ACCOUNTANTS' REPORT

3.4 Investments in subsidiaries and associates

Investments in subsidiaries are stated in the statements of financial position of the Company at cost less identified impairment loss, if any.

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognized in the consolidated statements of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of result of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, which forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognized in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognized in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3.5 Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

APPENDIX I

ACCOUNTANTS’ REPORT

Control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognizes revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each Track Record Period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

Product Revenue

The Group primarily sells pharmaceutical and healthcare products through online channels, such as its mobile APP or third-party online platforms, and offline channels, such as its network of physical pharmacies across the PRC. The Group also distributes some of its products to merchant customers. The Group recognizes the product revenue on a gross basis as the Group is acting as a principal in these transactions and is responsible for fulfilling the promise to provide the specified goods. Product revenue is recognized at the point in time when the customer obtains control of the products, net of discounts.

Others

The Group provides marketing services to third parties on its online and offline channels. The Group recognizes revenue overtime from advertising placements based on the Group’s advertising schedules confirmed by customers during the advertising period with output method, as the customer simultaneously receives and consumes the benefits throughout the period.

Marketplace services revenue primarily consists of commission fees charged to third-party merchants via the Group’s online marketplace such as mobile APP or WeChat mini program. The Group generally is acting as an agent and its performance obligation is to present specified goods or services provided by those third-party merchants throughout a certain period. Commission fee revenue is recognized on a net basis over the presenting period with output method.

3.6 Contract liability

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration from the customer.

Unearned revenue awards to customers related to unsatisfied performance obligations at the end of the period, is included in contract liabilities in the Group’s consolidated statements of financial position.

3.7 Cost of revenue

Cost of revenue consists primarily of purchase price of products, shipping charges and write-downs of inventories. Shipping charges to receive products from the suppliers are included in inventories, and recognized as cost of revenue upon sale of the products to the customers.

APPENDIX I

ACCOUNTANTS' REPORT

The Group periodically receives considerations from certain vendors, representing rebates for products sold and subsidies for the sales of the vendors' products over a period of time. The rebates are not sufficiently separable from the Group's purchase of the vendors' products and they do not represent a reimbursement of costs incurred by the Group to sell vendors' products. The Group accounts for the rebates received from its vendors as a reduction to the prices it pays for the products purchased and therefore the Group records such amounts as a reduction of cost when recognized in the consolidated statements of profit or loss and other comprehensive income.

3.8 Fulfillment expenses

Fulfillment expenses consist primarily of logistics and warehousing services expenses.

3.9 Research and development expenses

Research expenditures are recognized as an expenses as incurred. Costs incurred on development projects are capitalized as other intangible assets when recognition criteria are met, including (a) it is technically feasible to complete the software so that it will be available for use; (b) management intends to complete the software and use or sell it; (c) there is an ability to use or sell the software; (d) it can be demonstrated how the software will generate probable future economic benefits; (e) adequate technical, financial and other resources to complete the development and to use or sell the software are available; and (f) the expenditure attributable to the software during its development can be reliably measured. Other development costs that do not meet those criteria are expensed as incurred. There were no development costs meeting these criteria and capitalized as other intangible assets as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022.

3.10 Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statements of financial position.

APPENDIX I

ACCOUNTANTS' REPORT

Refundable rental deposits

Refundable rental deposits paid are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statements of financial position.

Lease modifications

Except for COVID-19-related rent concessions in which the Group applied the practical expedient, the Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liabilities, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

COVID-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognized in profit or loss in the period in which the event occurs.

APPENDIX I

ACCOUNTANTS' REPORT

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sublease

When the Group is an intermediate lessor, it accounts for the headlease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the headlease, not with reference to the underlying asset.

3.11 Foreign currency translation

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

3.12 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.13 Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

APPENDIX I

ACCOUNTANTS’ REPORT

3.14 Employee benefits

Pension obligations and other social welfare benefits

Full-time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries, including consolidated affiliated entities of the Group make contributions to the government for these benefits based on certain percentages of the employees’ salaries, up to a maximum amount specified by the local government. The Group has no legal obligation for the benefits beyond the contributions made. The Group’s contributions to the defined contribution plans are expensed as incurred and not reduced by being forfeited by those employees who leave the plans prior to vesting fully in the contributions.

Bonus plan

The expected cost of bonuses is recognized as a liability when the Group has a present legal or constructive obligation for payment of bonuses as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonuses are expected to be settled within one year and are measured at the amounts expected to be paid when they are settled.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3.15 Share-based payments

Share-based awards to the Group’s employees are granted under a share incentive plan (the “Share Incentive Plan”). The Group grants its restricted share units (the “RSUs”) and share options to the Group’s eligible employees, which are recorded in share-based payments reserves in the Group’s consolidated statements of financial position.

Equity-settled share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed using graded vesting method over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserves). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserves. For RSUs/share options that vest immediately at the date of grant, the fair value of the RSUs/share options granted is expensed immediately to profit or loss.

When share options are exercised or RSUs granted are vested, the amount previously recognized in share-based payments reserves will continue to be held in share-based payments reserves. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payments reserves will continue to be held in share-based payments reserves.

The effects of modifications that increase the total fair value of the share-based payment arrangement or are otherwise beneficial to the employees are required to recognize. If the modification increases the fair value of the equity instruments granted, the Group is required to measure immediately before and after the modification and include the incremental fair value granted (i.e. the difference between the fair value of the modified equity instrument and that of the date of the modification) in the measurement of the amount recognized for services received as consideration for the equity instruments granted. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

APPENDIX I

ACCOUNTANTS' REPORT

3.16 Taxation

Income tax expense represents the sum of the current tax and deferred tax.

The current tax payable is based on taxable profit for the Track Record Period. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

3.17 Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

APPENDIX I

ACCOUNTANTS' REPORT

3.18 Other intangible assets

Other intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for other intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3.19 Impairment on property and equipment, right-of-use assets and other intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and other intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property and equipment, right-of-use assets, and other intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.20 Inventories

Inventories, consisting of products available for sale, are stated at the lower of cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all costs necessary to make the sale. Cost necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale. Cost of inventory is determined using the weighted average method. Adjustments are recorded to write down the cost of inventory to the estimated net realizable value due to slow-moving merchandise and damaged goods, which is dependent upon factors such as historical and forecasted consumer demand, and promotional environment. The Group takes ownership, risks and rewards of the products purchased, but has arrangements to return unsold goods with certain vendors. Write downs are recorded in cost of revenue in the consolidated statements of profit or loss and other comprehensive income.

APPENDIX I

ACCOUNTANTS' REPORT

3.21 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3.22 Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(a) *Financial assets*

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

APPENDIX I

ACCOUNTANTS’ REPORT

Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in “other gains and losses”.

Impairment of financial assets

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amounts due from related parties and cash and cash equivalents), which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognizes lifetime ECL for trade receivables and amounts due from related parties of trade nature (excluding the prepayments to related parties, where applicable). The ECL on these assets are assessed individually for debtors with significant balances or credit impaired and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

APPENDIX I

ACCOUNTANTS' REPORT

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables and amounts due from related parties of trade nature using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the directors of the Company to ensure the constituents of each group continue to share similar credit risk characteristics.

APPENDIX I

ACCOUNTANTS' REPORT

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognized through a loss allowance account.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

(b) Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits/accumulated losses upon derecognition of the financial liability.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables and amounts due to related parties are subsequently measured at amortized cost, using the effective interest method.

APPENDIX I

ACCOUNTANTS' REPORT

Derecognition/modification of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortized over the remaining term. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

(c) *Derivative financial instruments*

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortized cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

(d) *Offsetting a financial asset and a financial liability*

A financial asset and a financial liability are offset and the net amount presented in the consolidated statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

APPENDIX I

ACCOUNTANTS’ REPORT

The estimates and assumptions that have a significant risk of causing a material adjustment to the Group’s financial position and results of operation are addressed below:

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that the directors of the Company have made in the process of applying the Group’s accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Consolidation of affiliated entities

The Group obtained control of the Restricted Subsidiaries by entering into the Contractual Arrangements. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Restricted Subsidiaries and uncertainties presented by the PRC legal system could impede the Group’s beneficiary rights of the results, assets and liabilities of the Restricted Subsidiaries. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC Laws and are legally enforceable.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of shares with preferred rights/Preferred Shares

The Group has issued a series of shares with preferred rights/Preferred Shares prior to and during the Track Record Period as set out in Note 25. The Group recorded these financial instruments as financial liabilities at FVTPL for which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include discounted cash flow and back-solve method involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. However, it should be noted that some inputs, such as fair value of the ordinary shares of Dingdang Medicine Express Technology and the Company, possibilities under different scenarios, such as qualified listing, redemption, liquidation, and other inputs, such as time to liquidation, risk-free interest rate, expected volatility value and dividend yield, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the financial liabilities at FVTPL. The fair value of the shares with preferred rights/Preferred Shares of the Group during the Track Record Period are set out in Note 25.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the group of cash-generating units to which goodwill has been allocated, which is the higher of the value-in-use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the group of cash-generating units and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the carrying amount of goodwill is RMB20,881,000, RMB85,504,000, RMB256,417,000, RMB255,762,000 and RMB255,762,000 (with no accumulated impairment loss at the end of each reporting period). Details of the recoverable amount calculation are disclosed in Note 18.

APPENDIX I

ACCOUNTANTS’ REPORT

Useful lives and amortization of other intangible assets

The Group determines the estimated useful lives and related amortization for the Group’s other intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Specifically, the useful life of customer relationship is estimated based on the retention rate of the current customers of the acquisition target as of the acquisition date, the historical retention rate and projected future revenues associated with such customers. Management will revise the amortization charges where useful lives are different from that of previously estimated. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore amortization expense in future periods.

Provision of ECL for trade receivables and amounts due from related parties of trade nature

Provision of ECL for trade receivables and amounts due from related parties of trade nature was estimated based on provision matrix through grouping of various debtors that have similar loss patterns, after considering ageing, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables and amounts due from related parties of trade nature. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. In addition, trade receivables and amounts due from related parties of trade nature that are credit-impaired are assessed for ECL individually. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group’s trade receivables and amounts due from related parties of trade nature are disclosed in Note 34.

5A. SEGMENT INFORMATION

The Group does not distinguish revenue, costs and expenses between segments in its internal reporting, and reports costs and expenses by nature as a whole.

The Group’s chief operating decision maker, who has been identified as the president, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reports. As the Group’s non-current assets are all located in the PRC and all the Group’s revenue are derived from the PRC, no geographical information is presented. During the Track Record Period, there was no revenue derived from transactions with a single external customer which amounted to 10% or more of the Group’s revenue.

5B. REVENUE

(a) Disaggregation of revenue from contracts with customers:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
					(unaudited)	
Type of goods or services:						
Product revenue:						
Pharmaceutical and healthcare business	562,123	1,250,895	2,204,689	3,561,336	761,224	956,613
Others*	22,489	24,694	23,874	117,354	18,488	30,794
Total revenue from contracts with customers	584,612	1,275,589	2,228,563	3,678,690	779,712	987,407
Timing of revenue recognition:						
A point in time	562,123	1,250,895	2,204,689	3,561,336	761,224	956,613
Overtime	22,489	24,694	23,874	117,354	18,488	30,794
Total	584,612	1,275,589	2,228,563	3,678,690	779,712	987,407

* Others represents the marketing services, marketplace services and other revenue.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Contract liabilities

The Group collected payments in advance from customers primarily for sales of pharmaceutical and healthcare products, marketplace service fees and unearned revenue awards to customers. The Group has recognized the following liabilities related to contracts with customers under “contract liabilities”:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Advance from sales of products	22,127	16,476	37,762	43,973	48,956
Advance service income	371	357	1,490	7,024	2,795
Unearned revenue awards to customers	7,664	14,541	21,157	17,682	11,443
Total	30,162	31,374	60,409	68,679	63,194

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Current	26,779	25,996	50,653	59,780	57,805
Non-current	3,383	5,378	9,756	8,899	5,389
	30,162	31,374	60,409	68,679	63,194

As of January 1, 2018, contract liabilities amounted to RMB10.7 million.

The Group has recognized the transaction price allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, as contract liabilities. The directors of the Company expect that the current contract liabilities will be recognized as revenue within one year, while the non-current contract liabilities will be recognized as revenue over one year but within two years.

(c) Revenue recognized in relation to contract liabilities

The following table shows the amount of the revenue recognized during the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Revenue recognized that was included in the contract liabilities balance at the beginning of the year/period:	9,301	26,779	25,996	49,569	47,639	58,215

APPENDIX I

ACCOUNTANTS’ REPORT

6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Cost of inventories sold	339,682	803,372	1,458,551	2,510,926	538,296	652,042
Provision for/(reversals of) impairment of inventories	–	–	870	(720)	32	198
Technical service expense	10,173	31,300	69,958	123,192	29,720	33,116
Promotion and advertising expenses	37,178	68,959	121,908	266,637	41,030	53,602
Employee benefit expenses (including directors’ emoluments as set out in Note 11) – Salaries and bonuses	71,306	141,532	235,606	357,803	74,318	86,655
– Share-based payments expenses (Note 29)	–	–	13,064	323,911	3,153	69,419
– Welfare, medical and other benefits	28,635	46,518	52,467	107,420	24,747	30,315
Total employee benefit expenses . .	99,941	188,050	301,137	789,134	102,218	186,389
Depreciation of property and equipment	12,962	16,782	20,879	21,650	5,425	5,146
Depreciation of right-of-use assets	19,561	35,593	47,742	78,404	15,887	19,083
Amortization of other intangible assets	590	5,108	6,257	35,232	8,785	8,825
Auditor’s remuneration	83	100	467	6,025	1,199	4,590

7. OTHER GAINS AND LOSSES, NET

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Net foreign exchange gains/(losses)	–	–	–	11,922	–	(6,496)
(Loss)/gain on disposal of property and equipment	(412)	3	(25)	90	(1)	448
(Loss)/gain on disposal/deregistration of subsidiaries (Note 32)	–	(1,292)	1,072	(434)	–	–
Gain on fair value changes of financial assets at FVTPL	2,824	4,551	8,946	10,273	2,008	3,186
(Loss)/gain on early termination of leases (Note)	–	–	–	(31)	–	9
Others	683	914	1,056	6,163	4,960	297
Total	3,095	4,176	11,049	27,983	6,967	(2,556)

Note: For the year ended December 31, 2021, loss on early termination of a lease represented the RMB38,000 compensation to the lessor as the Group breached the contract, excluding net difference of RMB7,000 comprising a RMB494,000 decrease in right-of-use assets and a RMB501,000 decrease in lease liabilities. For the three months ended March 31, 2022, gain on early termination of a lease represented the net difference of RMB9,000 comprising a RMB843,000 decrease in right-of-use assets and a RMB852,000 decrease in lease liabilities.

APPENDIX I

ACCOUNTANTS’ REPORT

8. OTHER INCOME

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Interest income						
– Bank deposits	1,304	2,411	3,266	3,781	541	2,163
– Lease deposits	72	158	273	384	435	102
Government grants (Note)	2,261	1,888	10,920	8,390	1,802	1,322
Rental income – fixed	437	688	1,771	3,350	686	900
Total	<u>4,074</u>	<u>5,145</u>	<u>16,230</u>	<u>15,905</u>	<u>3,464</u>	<u>4,487</u>

Note: The amounts represented subsidies received from the local governments for rewarding the Group’s contribution to local economies. There were no specific conditions attached to the grants and the amounts were recognized in profit or loss when the grants were received, except for certain government grants, the Group recorded in deferred income first as specific conditions were to meet before the government grants could be recognized in profit or loss.

9. FINANCE COSTS

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Interest on other borrowing (Note)	–	–	–	10,169	–	–
Interest on lease liabilities	3,797	5,571	6,061	7,607	2,040	1,952
Total	<u>3,797</u>	<u>5,571</u>	<u>6,061</u>	<u>17,776</u>	<u>2,040</u>	<u>1,952</u>

Note: The Company’s other borrowing raised on May 24, 2021 from CMB International Finance Limited (招銀國際財務有限公司) was secured by equity interests held by the Company and was guaranteed by certain subsidiaries of the Company. The principal amount was USD197,973,499.61, equivalent to RMB1,270,000,000, which carried a fixed interest rate of 0.8% per month. This borrowing was repaid in full in June 2021.

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(unaudited)	
Impairment losses, net of reversals, recognised on:						
– Trade receivables	101	120	1,643	(1,521)	269	880
– Other receivables	113	101	1,510	1,786	326	236
Total	<u>214</u>	<u>221</u>	<u>3,153</u>	<u>265</u>	<u>595</u>	<u>1,116</u>

Details of impairment assessment for the Track Record Period are set out in Note 34.

APPENDIX I

ACCOUNTANTS’ REPORT

11. DIRECTORS’ AND CHIEF EXECUTIVE’S EMOLUMENTS

Directors’ and chief executive’s remuneration for the Track Record Period, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

(a) The remuneration of directors and chief executive is set out below:

Name	For the year ended December 31, 2018			
	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB’000 (note i)	RMB’000	RMB’000	RMB’000
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii)	–	–	–	–
Mr. Xu Ning (note iii)	240	–	51	291
Mr. Yu Lei (note iii)	360	–	57	417
Mr. Yu Qinglong (note iv)	240	–	51	291
	<u>840</u>	<u>–</u>	<u>159</u>	<u>999</u>

Name	For the year ended December 31, 2019			
	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB’000 (note i)	RMB’000	RMB’000	RMB’000
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii)	–	–	–	–
Mr. Xu Ning (note iii)	478	–	56	534
Mr. Yu Lei (note iii)	558	–	62	620
Mr. Yu Qinglong (note iv)	438	–	56	494
	<u>1,474</u>	<u>–</u>	<u>174</u>	<u>1,648</u>

Name	For the year ended December 31, 2020			
	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB’000 (note i)	RMB’000	RMB’000	RMB’000
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii)	–	–	–	–
Mr. Xu Ning (note iii)	1,094	685	42	1,821
Mr. Yu Lei (note iii)	1,371	1,369	48	2,788
Mr. Yu Qinglong (note iv)	1,186	652	48	1,886
	<u>3,651</u>	<u>2,706</u>	<u>138</u>	<u>6,495</u>

Name	For the year ended December 31, 2021			
	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB’000 (note i)	RMB’000	RMB’000	RMB’000
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii)	–	236,381	–	236,381
Mr. Xu Ning (note iii)	1,187	720	61	1,968
Mr. Yu Lei (note iii)	1,554	1,439	61	3,054
Mr. Yu Qinglong (note iv)	1,331	1,151	61	2,543
	<u>4,072</u>	<u>239,691</u>	<u>183</u>	<u>243,946</u>

APPENDIX I

ACCOUNTANTS’ REPORT

For the three months ended March 31, 2021 (unaudited)

Name	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB’000 (note i)	RMB’000	RMB’000	RMB’000
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii)	–	–	–	–
Mr. Xu Ning (note iii)	223	121	15	359
Mr. Yu Lei (note iii)	298	242	15	555
Mr. Yu Qinglong (note iv)	249	115	15	379
	<u>770</u>	<u>478</u>	<u>45</u>	<u>1,293</u>

For the three months ended March 31, 2022

Name	Salaries and bonuses	Share-based compensation expenses	Welfare, medical and other benefits	Total
	RMB’000 (note i)	RMB’000	RMB’000	RMB’000
Executive directors:				
Mr. Yang Wenlong (Chairman) (note ii)	–	68,438	–	68,438
Mr. Xu Ning (note iii)	225	19	15	259
Mr. Yu Lei (note iii)	301	38	15	354
Mr. Yu Qinglong (note iv)	252	30	15	297
	<u>778</u>	<u>68,525</u>	<u>45</u>	<u>69,348</u>

Notes:

- i Bonuses are determined based on the Group’s performance, performance of the relevant individual within the Group and comparable market statistics.
- ii. Appointed as executive director of the Company commenced from August 20, 2014 and as the president commenced from June 19, 2021.
- iii. Appointed as executive director of the Company commenced from May 26, 2021. The emoluments were borne by Dingdang Medicine Express Technology for the years ended December 31, 2018, 2019, 2020 and 2021 and three months ended March 31, 2021 (unaudited) and 2022.
- iv. Appointed as executive director of the Company commenced from June 10, 2021. The emoluments were borne by Dingdang Medicine Express Technology for the years ended December 31, 2018, 2019, 2020 and 2021 and three months ended March 31, 2021 (unaudited) and 2022.

The executive directors’ emoluments shown above were for their services in connection with the management of the affairs of the Company and its subsidiaries.

Ms. Cai Li, Ms. Lian Suping, Mr. Zhang Shouchuan, Mr. Fan Zhenhong and Mr. Jiang Shan are non-executive directors of the Company. Ms. Cai Li was newly appointed on May 26, 2021. Ms. Lian Suping was newly appointed on June 10, 2021. Mr. Zhang Shouchuan, Mr. Fan Zhenhong and Mr. Jiang Shan were newly appointed on June 19, 2021. No emoluments were paid or payable to non-executive directors for their services as directors of the Company and its subsidiaries, if applicable.

(b) Benefits and interests of directors

Except for the emoluments disclosed above, there is no other benefits offered to the directors.

(c) Directors’ termination benefits

No director’s termination benefit subsisted at any time during the Track Record Period.

(d) Consideration provided to third parties for making available directors’ services

No consideration provided to third parties for making available director’s services subsisted at any time during the Track Record Period.

(e) Information about loans, quasi-loans and other dealings in favor of directors, their controlled bodies and connected entities

No loans, quasi-loans and other dealings in favor of directors, their controlled bodies corporate and connected entities subsisted at any time during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

(f) Directors’ material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group’s business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the Track Record Period.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees include one director in year of 2018, two directors in year of 2019 and 2020 and three directors in year of 2021 and three months ended March 31, 2021 (unaudited) and 2022, respectively, whose remuneration is set out in Note 11 during the Track Record Period. The emoluments payable to the remaining individuals during the Track Record Period were as follows:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries and bonuses	1,476	1,560	1,905	1,213	219	633
Welfare, medical and other benefits	220	174	124	103	9	30
Share-based payments	–	–	4,511	3,690	628	–
Total	<u>1,696</u>	<u>1,734</u>	<u>6,540</u>	<u>5,006</u>	<u>856</u>	<u>663</u>

The number of the highest paid employees who are not the directors of the Company whose emoluments fell within the following bands:

	Number of individuals					
	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021 (unaudited)	2022
Emolument bands (in Hong Kong dollars (the “HKD”))						
Nil to HKD500,000	3	–	–	–	1	2
HKD500,001 to HKD1,000,000	1	3	–	–	1	–
HKD2,000,001 to HKD2,500,000	–	–	2	–	–	–
HKD2,500,001 to HKD3,000,000	–	–	1	1	–	–
HKD3,000,001 to HKD3,500,000	–	–	–	1	–	–
Total	<u>4</u>	<u>3</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>

During the Track Record Period, no emoluments were paid by the Group to the five highest paid employees as an inducement to join or upon joining the Group or as compensation for the loss of office. None of directors and employees waived or agreed to waive any emoluments during the Track Record Period.

13. INCOME TAX EXPENSE

Income tax

Cayman Islands

Under the current laws of the Cayman Islands, the Company incorporated in the Cayman Islands is not subject to tax on income or capital gains. Additionally, the Cayman Islands does not impose a withholding tax on payments of dividends to shareholders.

British Virgin Islands

Under the current laws of the British Virgin Islands, entities incorporated in the British Virgin Islands are not subject to tax on their income or capital gains. Additionally, the British Virgin Islands does not impose a withholding tax on payments of dividends to shareholders.

APPENDIX I

ACCOUNTANTS’ REPORT

Hong Kong

On March 21, 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HKD2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HKD2 million.

PRC

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the standard enterprise income tax rate for PRC Operating Entities is 25% during the Track Record Period.

Dingdang Medicine Express Technology was subject to a preferential income tax rate of 15%, as Dingdang Medicine Express Technology was qualified as a High-New Technology Enterprises (the “HNTE”) and the HNTE qualification was approved and valid for 3 years from January 1, 2018 to December 31, 2020. The HNTE qualification was further renewed and extended to December 31, 2023 on December 17, 2021.

Jiangxi Renhetang was subject to a preferential income tax rate of 15%, as Jiangxi Renhetang was qualified as a HNTE and the HNTE qualification was approved and valid for 3 years from January 1, 2018 to December 31, 2020.

Certain subsidiaries have been approved as small low-profit enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 2.5%, 5% or 10% during the Track Record Period.

Withholding tax on undistributed dividends

The EIT Law also imposes a withholding income tax of 10% on dividends distributed by a foreign investment enterprise (the “FIE”) to its immediate holding company outside of China, if such immediate holding company is considered as a non-resident enterprise without any establishment or place within China or if the received dividends have no connection with the establishment or place of such immediate holding company within China, unless such immediate holding company’s jurisdiction of incorporation has a tax treaty with China that provides for a different withholding arrangement. According to the arrangement between Mainland China and Hong Kong Special Administrative Region on the Avoidance of Double Taxation and Prevention of Fiscal Evasion in August 2006, dividends paid by an FIE in China to its immediate holding company in Hong Kong will be subject to withholding tax at a rate of no more than 5% (if the foreign investor owns directly at least 25% of the shares of the FIE) if the Hong Kong holding company qualifies for the beneficial owner criteria. The Company has not recorded any withholding tax on any profits generated by the PRC Operating Entities before completion of the Reorganization. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB100,770,000 as at March 31, 2022 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expense of the Group is analyzed as follows:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
PRC Enterprise Income Tax					(unaudited)	
Current income tax						
– Current year/period	6,528	9,400	19,787	24,458	5,588	4,200
– Under provision in respect of prior year/period	–	12	313	141	–	–
Deferred income tax (Note 26)	(105)	(1,176)	(1,307)	(7,484)	(1,871)	(1,871)
Total	<u>6,423</u>	<u>8,236</u>	<u>18,793</u>	<u>17,115</u>	<u>3,717</u>	<u>2,329</u>

APPENDIX I

ACCOUNTANTS’ REPORT

The income tax expense for the year/period can be reconciled to the loss before income tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended December 31				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss before income tax	(96,749)	(265,696)	(900,887)	(1,581,859)	(745,199)	(402,087)
Tax calculated at PRC statutory income tax rate of 25%	(24,187)	(66,424)	(225,222)	(395,465)	(186,300)	(100,522)
Tax effects of:						
– Expenses that are not deductible in determining taxable profit	19,952	42,271	194,866	243,185	167,510	71,251
– Tax effect of share of result of an associate	–	23	64	–	–	–
– Utilization of tax losses previously not recognized	(230)	(18)	(1,287)	(65)	(80)	(3,300)
– Different tax rates available to different jurisdictions	6	4	5	3,641	4	2,400
– Preferential income tax rates applicable to subsidiaries and the consolidated affiliated entities	(2,134)	746	162	3,851	(443)	614
– Tax losses not recognized	3,937	14,863	26,282	60,304	25,122	15,429
– Tax effect of deductible temporary differences previously not recognized net of utilization	9,079	16,759	23,610	101,523	(2,096)	16,457
– Under provision in respect of prior year/period	–	12	313	141	–	–
Total income tax expense	<u>6,423</u>	<u>8,236</u>	<u>18,793</u>	<u>17,115</u>	<u>3,717</u>	<u>2,329</u>

14. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss figures are calculated as follows:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Loss for the year/period attributable to owners of the Company for the purpose of basic and diluted loss per share	<u>(107,583)</u>	<u>(276,635)</u>	<u>(924,250)</u>	<u>(1,578,026)</u>	<u>(744,408)</u>	<u>(398,862)</u>

Number of shares

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	(unaudited)					
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	<u>255,000,000</u>	<u>255,000,000</u>	<u>255,000,000</u>	<u>477,002,288</u>	<u>255,000,000</u>	<u>630,793,590</u>

APPENDIX I

ACCOUNTANTS' REPORT

The weighted average number of ordinary shares for the purpose of calculating basic loss per share has been determined on the assumption that the Reorganization as disclosed in Note 1.2 and the shares subdivision and consolidation in Note 27 had been effected since January 1, 2018.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company had potential ordinary shares of shares with preferred rights/Preferred Shares (Note 25). For the four years ended December 31, 2021 and three months ended March 31, 2021 (unaudited) and 2022, the potential ordinary shares were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the four years ended December 31, 2021 and three months ended March 31, 2021 (unaudited) and 2022 are the same as basic loss per share of the respective year/period.

15. OTHER INTANGIBLE ASSETS

	Software	Trademark and franchise right	Customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At January 1, 2018	2,757	84	–	2,841
Additions	206	–	–	206
Acquired on acquisition of subsidiaries (Note 31)	–	2,422	–	2,422
At December 31, 2018	2,963	2,506	–	5,469
Additions	5,447	–	–	5,447
Acquired on acquisition of subsidiaries (Note 31)	4,125	36,876	–	41,001
Disposals	(103)	–	–	(103)
At December 31, 2019	12,432	39,382	–	51,814
Additions	2,751	–	–	2,751
Acquired on acquisition of subsidiaries (Note 31)	45,281	82,912	60,000	188,193
Disposals	(25)	–	–	(25)
At December 31, 2020	60,439	122,294	60,000	242,733
Additions	4,479	–	–	4,479
Disposals	(197)	–	–	(197)
At December 31, 2021 and March 31, 2022	64,721	122,294	60,000	247,015
AMORTIZATION				
At January 1, 2018	775	44	–	819
Charge for the year	304	286	–	590
At December 31, 2018	1,079	330	–	1,409
Charge for the year	1,269	3,839	–	5,108
Eliminated on disposals	(103)	–	–	(103)
At December 31, 2019	2,245	4,169	–	6,414
Charge for the year	1,970	4,287	–	6,257
Eliminated on disposals	(6)	–	–	(6)
At December 31, 2020	4,209	8,456	–	12,665
Charge for the year	9,864	13,368	12,000	35,232
Eliminated on disposals	(123)	–	–	(123)
At December 31, 2021	13,950	21,824	12,000	47,774
Charge for the period	2,483	3,342	3,000	8,825
At March 31, 2022	16,433	25,166	15,000	56,599
CARRYING AMOUNT				
At January 1, 2018	1,982	40	–	2,022
At December 31, 2018	1,884	2,176	–	4,060
At December 31, 2019	10,187	35,213	–	45,400
At December 31, 2020	56,230	113,838	60,000	230,068
At December 31, 2021	50,771	100,470	48,000	199,241
At March 31, 2022	48,288	97,128	45,000	190,416

The estimated useful lives of other intangible assets are as follows:

Category	Estimated useful lives
Software	3-5 years
Trademark and franchise right	5-9 years
Customer relationship	5 years

The above other intangible assets were acquired from third parties or purchased as part of business combination during the Track Record Period.

APPENDIX I

ACCOUNTANTS’ REPORT

The trademark acquired from third party is related to three trademark registration certificates granted by Trademark Office of the State Administration for Industry and Commerce of China. The management of the Group considered the trademark would be able to apply on the Company’s online medicine trading service or technologies for 9 years with reference to the remaining valid period of such trademark registration certificates.

The franchise rights acquired in the business combinations were related to franchise right contracts. The management of the Group considered the franchise rights would be able to apply on the Company’s online medicine trading service or technologies for 5-9 years with reference to the franchise right contracts.

16. PROPERTY AND EQUIPMENT

	Leasehold improvement	Electronic equipment	Motor vehicle	Machinery	Furniture and fixtures	Construction in progress	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
COST							
At January 1, 2018	100	6,760	30	–	16	–	6,906
Additions	6,884	2,806	–	78	772	–	10,540
Acquired on acquisition of subsidiaries (Note 31)	27,578	349	401	101	949	–	29,378
Disposals	–	(6,075)	(30)	(107)	(187)	–	(6,399)
At December 31, 2018	34,562	3,840	401	72	1,550	–	40,425
Additions	12,164	4,980	902	138	2,092	–	20,276
Acquired on acquisition of subsidiaries (Note 31)	12,150	492	228	6	670	–	13,546
Disposal of a subsidiary (Note 32)	–	(163)	–	–	–	–	(163)
Disposals	–	–	–	–	(17)	–	(17)
At December 31, 2019	58,876	9,149	1,531	216	4,295	–	74,067
Additions	7,910	9,568	306	–	1,811	–	19,595
Acquired on acquisition of subsidiaries (Note 31)	510	951	545	30	424	–	2,460
Disposals	–	(117)	(154)	(3)	(33)	–	(307)
At December 31, 2020	67,296	19,551	2,228	243	6,497	–	95,815
Additions	8,507	6,229	1,692	210	3,828	–	20,466
Disposals	–	(155)	(401)	(11)	(171)	–	(738)
At December 31, 2021	75,803	25,625	3,519	442	10,154	–	115,543
Additions	1,106	756	49	–	964	2,881	5,756
Disposals	–	(10)	–	–	–	–	(10)
At March 31, 2022	76,909	26,371	3,568	442	11,118	2,881	121,289
DEPRECIATION							
At January 1, 2018	–	4,882	5	–	4	–	4,891
Charge for the year	11,058	1,545	71	2	286	–	12,962
Eliminated on disposals	–	(5,721)	–*	–*	(144)	–	(5,865)
At December 31, 2018	11,058	706	76	2	146	–	11,988
Charge for the year	14,527	1,364	274	18	599	–	16,782
Eliminated on disposal of a subsidiary (Note 32)	–	(70)	–	–	–	–	(70)
Eliminated on disposals	–	–	–	–	(6)	–	(6)
At December 31, 2019	25,585	2,000	350	20	739	–	28,694
Charge for the year	16,345	3,109	336	34	1,055	–	20,879
Eliminated on disposals	–	(107)	(73)	–*	(8)	–	(188)
At December 31, 2020	41,930	5,002	613	54	1,786	–	49,385
Charge for the year	13,621	5,618	741	42	1,628	–	21,650
Eliminated on disposals	–	(144)	(279)	–*	(82)	–	(505)
At December 31, 2021	55,551	10,476	1,075	96	3,332	–	70,530
Charge for the period	2,712	1,628	275	14	517	–	5,146
Eliminated on disposals	–	(8)	–	–	–	–	(8)
At March 31, 2022	58,263	12,096	1,350	110	3,849	–	75,668

APPENDIX I

ACCOUNTANTS’ REPORT

	Leasehold improvement	Electronic equipment	Motor vehicle	Machinery	Furniture and fixtures	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
CARRYING AMOUNT							
At January 1, 2018	100	1,878	25	–	12	–	2,015
At December 31, 2018	23,504	3,134	325	70	1,404	–	28,437
At December 31, 2019	33,291	7,149	1,181	196	3,556	–	45,373
At December 31, 2020	25,366	14,549	1,615	189	4,711	–	46,430
At December 31, 2021	20,252	15,149	2,444	346	6,822	–	45,013
At March 31, 2022	18,646	14,275	2,218	332	7,269	2,881	45,621

* less than RMB1,000.

The above items of property and equipment, after taking into account the residual values, are depreciated on a straight-line basis at the following rates per annum:

Leasehold improvement	Over the shorter of the expected life of leasehold improvement or the lease term
Electronic equipment	19.00%-31.67%
Motor vehicle	23.75%
Machinery	9.50%
Furniture and fixtures	19.00%

17. INVESTMENT IN AN ASSOCIATE

	As of December 31, 2019	As of December 31, 2020
	RMB'000	RMB'000
Cost of investment in an associate	480	480
Share of post-acquisition loss and other comprehensive expense	(91)	(347)
Disposal of investment in an associate	–	(133)
	<u>389</u>	<u>–</u>

The details of the investment in the associate as of December 31, 2019 are as follows:

Name of entity	Place of incorporation and principal place of operation	Principal activities	Percentage of equity interest	Percentage of voting rights
Jiangxi Yilian Innovation Pharmaceutical Co., Ltd.* (江西醫聯創新藥業有限公司) (“Jiangxi Yilian”)	Mainland China	Healthcare enterprise management services	24%	24%

* English names are for identification purpose only.

The Group has 24% ownership interest and voting rights in Jiangxi Yilian. Considering that the Group is able to exercise significant influence over Jiangxi Yilian through the power to appoint 1 out of the 3 directors of Jiangxi Yilian under the articles of association of Jiangxi Yilian, it is classified as an associate of the Group.

Set out below is the summarized financial information of the associate. The summarized financial information below represents amounts shown in the associate’s financial statements prepared in accordance with IFRSs. The associate is accounted for using the equity method in these consolidated financial statements.

APPENDIX I

ACCOUNTANTS’ REPORT

	Acquisition of subsidiaries
	RMB’000
CARRYING AMOUNT	
At January 1, 2018	2,658
At December 31, 2018	20,881
At December 31, 2019	85,504
At December 31, 2020	256,417
At December 31, 2021 and March 31, 2022	255,762

* *English names are for identification purpose only.*

For the purpose of impairment testing, goodwill is allocated to a group of cash generating units. The carrying amounts of goodwill allocated to significant cash generating units (the “Significant CGUs”) are as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Shanghai Smart Pharmacy and its subsidiaries	10,978	10,978	10,978	10,978	10,978
Beijing Smart Pharmacy and its subsidiaries	4,041	4,041	4,041	4,041	4,041
Guangdong Smart Pharmacy	–	48,503	48,503	48,503	48,503
Renhe Yaofangwang and its subsidiaries	–	–	167,351	167,351	167,351

The impairment review on the goodwill of the Group according to IAS 36 were conducted by the management with reference to valuation carried out by independent qualified professional valuer, ValueLink Management Consultants Limited, who has appropriate qualifications and experiences in valuation of similar instruments. The address of ValueLink Management Consultants Limited which valuation report was referenced to for the Track Record Period is Room 1201C, Jing Guang Centre Business Building, 1 Chaoyangmen Outer Street, Chaoyang District, Beijing, the PRC.

For the purpose of impairment review as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the recoverable amount of the Significant CGUs containing goodwill is determined based on value-in-use calculations by using the discounted cash flow method, based on the following inputs:

Shanghai Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Financial projection period	5-year	5-year	4-year*	5-year	5-year
Forecasted average annual revenue growth rate	54%	35%	29%	18%	16%
Estimated terminal growth rate beyond the projection period extrapolated	3%	3%	3%	3%	3%
Pre-tax discount rate	23.76%	23.63%	24.07%	24.02%	23.55%

Beijing Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Financial projection period	5-year	5-year	4-year*	5-year	5-year
Forecasted average annual revenue growth rate	27%	19%	14%	10%	10%
Estimated terminal growth rate beyond the projection period extrapolated	3%	3%	3%	3%	3%
Pre-tax discount rate	22.41%	22.87%	23.31%	23.84%	23.57%

APPENDIX I

ACCOUNTANTS’ REPORT

Guangdong Smart Pharmacy:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
Financial projection period	5-year	4-year*	5-year	5-year
Forecasted average annual revenue growth rate	40%	26%	16%	16%
Estimated terminal growth rate beyond the projection period extrapolated	3%	3%	3%	3%
Pre-tax discount rate	23.45%	23.95%	23.47%	24.52%

Renhe Yaofangwang and its subsidiaries:

	As of December 31,		As of March 31,
	2020	2021	2022
Financial projection period	7-year**	5-year	5-year
Forecasted average annual revenue growth rate	30%	28%	27%
Estimated terminal growth rate beyond the projection period extrapolated	3%	3%	3%
Pre-tax discount rate	22.06%	23.78%	23.68%

* The financial projection period is 4-year because the management applied a 5-year projection period for the year ended December 31, 2019 goodwill impairment by using actual operating results for the year ended December 31, 2020 and projected operating results for the year ending December 31, 2021 to 2024 while a 4-year projection period for the year ended December 31, 2020 goodwill impairment by removing actual operating results for the year ended December 31, 2020 and maintaining consistent projected operating results for the year ending December 31, 2021 to 2024 when the management performed the goodwill impairment review for the year ended December 31, 2019 and 2020 simultaneously. Based on goodwill impairment result for the year ended December 31, 2020, no impairment arose by applying the 4-year projection period, and the management determined no further projection up to year ending December 31, 2025 is necessary for the impairment testing purpose. The financial projection period reverts back to 5-year for the year ended December 31, 2021 goodwill impairment review as the management normally prepares the projection with a period of 5 years. The management determined the projection period with reference to IAS 36.33(b).

** The management represented that the direct-to-patient pharmacies business, which Renhe Yaofangwang and its subsidiaries operates in, is a new and fast developing distribution channel of pharmaceutical products and it is expected to enter a stable growth period after at least 7-year-period, from when the management determined Renhe Yaofangwang and its subsidiaries would reach the market share in direct-to-patient pharmacies business, terminate the projection period and enter the infinite period. Therefore, the financial projection period for goodwill impairment review as of December 31, 2020 is 7-year. Based on the actual outcomes for the year ended December 31, 2021, Renhe Yaofangwang and its subsidiaries would reach the stable growth period earlier, thus the management revised the inputs of the goodwill impairment review.

The management leveraged their extensive experience in the industry and provided forecast based on past performance and expectation of future business plans and market developments.

The management, together with the Company’s valuer, performed impairment test for the goodwill and determined such goodwill was not impaired, since the headroom for the Significant CGUs containing goodwill amounted to:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Shanghai Smart Pharmacy and its subsidiaries	32,776	36,447	57,669	82,928	70,506
Beijing Smart Pharmacy and its subsidiaries	58,895	48,366	73,943	100,421	92,298
Guangdong Smart Pharmacy	N/A	30,871	64,041	32,643	38,416
Renhe Yaofangwang and its subsidiaries	N/A	N/A	N/A	74,474	46,742

APPENDIX I

ACCOUNTANTS’ REPORT

Sensitivity analysis has been performed based on the assumptions that revenue or terminal value or the pre-tax discount rate has been changed. Had the estimated key assumptions during the forecast period been changed as below, the headroom would be decreased by as below:

Shanghai Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue decrease by 5%	2,800	3,200	5,300	6,800	5,000
Terminal value decrease by 5%	2,900	2,700	3,200	4,900	3,700
Pre-tax discount rate increase by 5%	6,300	6,100	6,400	11,100	8,300

Beijing Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue decrease by 5%	4,500	4,900	7,100	9,411	6,004
Terminal value decrease by 5%	4,200	3,500	4,200	5,849	3,580
Pre-tax discount rate increase by 5%	9,100	8,500	8,900	12,914	8,222

Guangdong Smart Pharmacy:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue decrease by 5%	5,900	8,100	6,000	6,968
Terminal value decrease by 5%	3,600	4,300	3,000	3,483
Pre-tax discount rate increase by 5%	8,500	8,900	7,300	8,060

Renhe Yaofangwang and its subsidiaries:

	As of December 31,		As of March 31,	
	2021		2022	
	RMB'000		RMB'000	
Revenue decrease by 5%	16,848		15,985	
Terminal value decrease by 5%	10,088		9,630	
Pre-tax discount rate increase by 5%	22,399		20,885	

Headroom and sensitivity analysis have not been performed for Renhe Yaofangwang and its subsidiaries as of December 31, 2020 as such information is not meaningful having regards Renhe Yaofangwang was acquired by Dingdang Medicine Express Technology in December 2020.

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the estimated revenue, estimated terminal value, and pre-tax discount rate must change by the percentage set out below to remove the remaining headroom for the Significant CGUs containing goodwill, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount.

Shanghai Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Revenue decrease by	61.50%	41.91%	49.00%	60.32%	69.99%
Terminal value decrease by	56.99%	50.88%	81.95%	83.49%	93.93%
Pre-tax discount rate increase by	36.65%	26.91%	68.61%	63.71%	82.20%

APPENDIX I

ACCOUNTANTS’ REPORT

Beijing Smart Pharmacy and its subsidiaries:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Revenue decrease by	68.60%	50.00%	51.57%	53.36%	76.98%
Terminal value decrease by	71.27%	68.45%	87.30%	85.85%	129.18%
Pre-tax discount rate increase by	49.49%	39.92%	71.60%	67.15%	137.89%

Guangdong Smart Pharmacy:

	As of December 31,			As of March 31,
	2019	2020	2021	2022
Revenue decrease by	26.45%	39.36%	27.07%	27.57%
Terminal value decrease by	46.05%	76.70%	53.64%	53.67%
Pre-tax discount rate increase by	20.77%	56.78%	28.41%	30.32%

Renhe Yaofangwang and its subsidiaries:

	As of December 31,		As of March 31,
	2021	2022	2022
Revenue decrease by	21.68%	14.62%	
Terminal value decrease by	36.85%	24.27%	
Pre-tax discount rate increase by	19.30%	12.09%	

Reasonable possible changes in key assumptions will not lead to the goodwill impairment loss as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022.

19. FINANCIAL ASSETS AT FVTPL

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current:					
Financial products issued by banks	81,882	43,267	321,480	–	38,790

The Group’s financial assets at FVTPL are the financial products issued by banks, which are short-term investments with expected rates of return ranging from 1.15% to 4.45%, depending on the market price of underlying financial instruments, including treasury bonds, central bank bills, structured deposit and other financial assets. The Group managed and evaluated the performance of investments on a fair value basis in accordance with the Group’s risk management and investment strategy. Details of fair value measurements are set out in Note 34.

20. LEASES

(a) Right-of-use assets

The carrying amounts of the Group’s right-of-use assets and the movements during the Track Record Period are as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at the beginning of the year/period	5,594	66,652	126,914	151,383	168,518
Additions	19,714	70,259	52,429	96,747	17,090
Acquired on acquisition of subsidiaries (Note 31)	60,905	25,596	20,255	–	–
Depreciation charge	(19,561)	(35,593)	(47,742)	(78,404)	(19,083)
Disposals of subsidiaries (Note 32)	–	–	(473)	(714)	–
Early termination	–	–	–	(494)	(843)
Carrying amount at the end of the year/period	66,652	126,914	151,383	168,518	165,682

APPENDIX I

ACCOUNTANTS’ REPORT

The carrying amounts of right-of-use assets at end of each reporting period and the depreciation by classes of rights-of-use assets are all buildings during the Track Record Period.

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Expense relating to short-term leases	1,408	1,501	2,696	2,812	876	345
Total cash outflow for leases	23,530	44,854	56,100	89,993	23,218	21,675

The Group leases certain of its offline pharmacies, offices, warehouses and staff quarters which are negotiated for terms ranging from 1 to 20 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group conducted impairment assessment on recoverable amounts of right-of-use assets of relevant subsidiaries that have indicators of impairment. The Group estimated the recoverable amount of these subsidiaries, each representing an individual cash generating unit, to which the asset belongs when it is not possible to estimate the recoverable amount individually. No impairment loss were recognized to right-of-use assets during the Track Record Period.

The Group regularly entered into short-term leases for offline pharmacies, offices, warehouses and staff quarters. As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

(b) Lease liabilities

The carrying amounts of the Group’s lease liabilities and the movements during the Track Record Period are as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Carrying amount at the beginning of the year/period	5,388	63,146	118,977	141,253	157,012
New leases	19,486	68,411	51,936	92,380	15,573
Acquired on acquisition of subsidiaries (Note 31)	56,369	23,354	17,732	–	–
Accretion of interest recognized	3,797	5,571	6,061	7,607	1,952
Payments	(21,894)	(41,505)	(52,911)	(82,814)	(19,813)
Disposals/deregistration of subsidiaries (Note 32)	–	–	(542)	(913)	–
Early termination	–	–	–	(501)	(852)
Carrying amount at the end of the year/period	63,146	118,977	141,253	157,012	153,872
Analyzed as:					
Non-current	44,698	79,983	87,388	95,629	91,038
Current	18,448	38,994	53,865	61,383	62,834
	63,146	118,977	141,253	157,012	153,872

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Present value of lease liability					
– within one year	18,448	38,994	53,865	61,383	62,834
– between 1 and 2 years	16,219	34,635	40,694	48,018	49,073
– between 2 and 5 years	26,552	43,000	45,217	44,908	39,520
– over 5 years	1,927	2,348	1,477	2,703	2,445
	63,146	118,977	141,253	157,012	153,872

APPENDIX I

ACCOUNTANTS’ REPORT

The lease liabilities were measured at the present value of the lease payments that are not yet paid using incremental borrowing rates. The following table shows the weighted average incremental borrowing rates applied to lease liabilities:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	%	%	%	%	%	%
Incremental borrowing rate	4.52~7.26	4.01~5.31	4.38~6.39	3.83~6.39	(unaudited) 4.38~6.39	3.81~6.39

All leases are entered at fixed rates.

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, lease liabilities are mainly denominated in RMB.

The maturity analysis of lease liabilities at each reporting date during the Track Record Period are set out in Note 34.

21. INVENTORIES

Inventories consist of the following:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Products	62,634	168,205	323,454	434,013	518,962
Others	90	344	16	9	9
	<u>62,724</u>	<u>168,549</u>	<u>323,470</u>	<u>434,022</u>	<u>518,971</u>

22. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

The Group

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current:					
(a) Trade receivables					
Trade receivables from third parties	11,849	23,573	51,480	91,351	90,056
Less: allowance for credit losses	(101)	(221)	(1,864)	(343)	(1,223)
Subtotal	<u>11,748</u>	<u>23,352</u>	<u>49,616</u>	<u>91,008</u>	<u>88,833</u>
(b) Other receivables and prepayments					
Staff advances	554	977	49	60	1,785
Welfare receivable	312	1,166	1,085	1,534	1,526
Advance to suppliers	5,807	20,903	42,223	41,378	58,412
Prepaid expenses	9,271	15,636	22,493	34,280	40,128
Recoverable value-added tax	154	1,660	21,563	32,238	32,310
Receivable from non-controlling shareholders	–	3,000	4,650	3,900	3,900
Receivable from third-party online platforms	2,664	15,190	34,387	53,769	57,891
Deposits receivables	3,104	4,492	7,511	11,455	11,521
Deferred [REDACTED]	–	–	738	5,338	7,011
Others	903	1,770	3,286	6,434	7,098
Less: allowances for credit losses	(113)	(214)	(17)	(1,803)	(2,039)
Subtotal	<u>22,656</u>	<u>64,580</u>	<u>137,968</u>	<u>188,583</u>	<u>219,543</u>
Total	<u>34,404</u>	<u>87,932</u>	<u>187,584</u>	<u>279,591</u>	<u>308,376</u>
Non-current:					
Rental deposits	2,059	5,344	8,431	9,932	10,509
	<u>2,059</u>	<u>5,344</u>	<u>8,431</u>	<u>9,932</u>	<u>10,509</u>

As of January 1, 2018, trade receivables amounted to RMB10.9 million.

APPENDIX I

ACCOUNTANTS’ REPORT

The Group’s trading terms with some of its customers are on credit. The Group primarily allows a credit period from 30 to 45 days. Trade receivables are settled in accordance with the terms of the respective contracts. Aging analysis of trade receivables based on invoice date is as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Within 3 months	11,321	22,289	45,801	87,298	81,192
3 to 6 months	313	1,103	3,533	2,231	6,610
6 to 12 months	125	125	744	1,570	854
Over 12 months	90	56	1,402	252	1,400
Less: allowance for ECL	(101)	(221)	(1,864)	(343)	(1,223)
	<u>11,748</u>	<u>23,352</u>	<u>49,616</u>	<u>91,008</u>	<u>88,833</u>

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, included in the Group’s trade receivables balance were debtors with aggregate carrying amount of RMB9.34 million, RMB20.51 million, RMB32.05 million, RMB28.41 million and RMB20.11 million respectively, which were past due but not impaired as of the reporting date. The Group has not provided an impairment loss as the Group is satisfied with the subsequent settlements and the credit quality of these customers had not seen deteriorated. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade and other receivables are set out in Note 34.

The Company

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Deferred [REDACTED]	–	–	738	5,338	7,011
Prepaid expenses	–	–	68	2,910	4,328
	<u>–</u>	<u>–</u>	<u>806</u>	<u>8,248</u>	<u>11,339</u>

23. CASH AND CASH EQUIVALENTS

The Group

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Cash and bank balances	46,242	44,691	260,574	1,552,994	1,498,232
Term deposit	–	100,000	–	–	–
Total	<u>46,242</u>	<u>144,691</u>	<u>260,574</u>	<u>1,552,994</u>	<u>1,498,232</u>

Bank balances

During the Track Record Period, bank balances carry interest at market rates which range from 0.001% to 2.100%. There is no restricted bank balance as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022.

Term deposit

The Group’s term deposit is a bank deposit with original maturities over three months and redeemable on maturity. However, the deposit could be transferred to other parties unconditionally via the bank upon demand before maturity without interest loss according to the deposit contract. The interest rate of the term deposit was 3.80% per annum for the year ended December 31, 2019. The term deposit was redeemed during the year ended December 31, 2020.

The Company

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Cash and bank balances	231	225	204	189,393	185,772

APPENDIX I

ACCOUNTANTS’ REPORT

24. TRADE AND OTHER PAYABLES

The Group

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	42,500	103,379	226,252	285,940	403,995
Bills payable	–	4,140	–	–	–
Subtotal	42,500	107,519	226,252	285,940	403,995
Salary and welfare payables	38,620	68,473	100,485	140,164	128,737
Other tax payable	4,792	3,190	4,780	10,262	7,455
Payables for delivery	70,728	22,795	27,551	34,441	30,356
Payables for service fee	93	1,099	1,210	7,770	4,044
Accrued expenses	29,022	35,957	53,809	56,237	57,939
Receipt on behalf of third-party merchants	1,393	1,357	4,316	11,758	12,482
Dividend payable	–	–	1,255	10,102	10,102*
Rental received in advance	336	–	222	771	754
Accrued [REDACTED] and [REDACTED]	–	–	3,155	10,060	16,288
Deposits payable	3,967	6,375	14,606	16,323	16,296
Others	2,008	622	3,056	2,823	4,462
Subtotal	150,959	139,868	214,445	300,711	288,915
Total	193,459	247,387	440,697	586,651	692,910

* RMB9,544,000 dividend payable by Jiangxi Renhetang has been subsequently settled in April 2022 and the remaining RMB58,000 dividend payable by Dingdang Good Health, in the opinion of the directors, will be settled before the completion of [REDACTED] by utilizing Dingdang Good Health’s cash and bank balances.

The credit period of trade payables is ranging from 30 to 60 days. An aging analysis of the trade payables based on the invoice date at the end of each reporting period is as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within 3 months	42,113	100,292	195,336	259,166	371,191
3 to 6 months	347	78	19,920	8,235	14,784
6 to 12 months	39	–	5,342	6,330	5,075
Over 12 months	1	3,009	5,654	12,209	12,945
Total	42,500	103,379	226,252	285,940	403,995

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The Company Accrued [REDACTED] and [REDACTED]	–	–	–	6,905	13,133

25. FINANCIAL LIABILITIES AT FVTPL

The Group

Dingdang Medicine Express Technology entered into share subscription agreement with independent investors and issued four series (the “Series A”, “Series A+”, “Series B” and “Series B+”, respectively) of shares with preferred rights from year 2016 to 2020. Dingdang Medicine Express Technology had received the consideration of RMB100 million, RMB100 million, RMB400 million and RMB825 million, respectively. On May 25, 2021, as part of Reorganization, Dingdang Medicine Express Technology redeemed shares with preferred rights by way of capital reductions and the Company issued certain number of preferred shares. The beneficial interests of the Series A, Series A+, Series B and Series B+ remained unchanged after this exercise and before issue of Series C shares. On the same day, the Company entered into share subscription agreement with independent investors and issued Series C preferred shares (the Series C, together with Series A, Series A+, Series B and Series B+ preferred shares, known as “Preferred Shares”) and received the total consideration of USD429 million (equivalent to RMB2,740,275,000).

APPENDIX I

ACCOUNTANTS’ REPORT

As of March 31, 2022, the authorized share capital of the Company consisted of (i) 4,322,857,693 ordinary shares of par value USD0.0001 each, (ii) 125,000,000 Series A preferred shares of par value USD0.0001 each, (iii) 147,058,820 Series B preferred shares of par value USD0.0001 each, (iv) 222,709,327 Series B+ preferred shares of par value USD0.0001 each, and (v) 182,374,160 Series C preferred shares of par value USD0.0001 each. Fair value for each series at the end of each Track Record Period are as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities					
Series A+	111,882	–	–	–	–
Total	111,882	–	–	–	–
Non-current liabilities					
Series A	101,316	137,581	249,336	386,953	415,036
Series A+	–	148,032	253,673	386,953	415,036
Series B	–	478,270	689,021	956,860	1,022,664
Series B+	–	–	1,151,444	1,503,977	1,597,838
Series C	–	–	–	1,416,207	1,480,991
Total	101,316	763,883	2,343,474	4,650,950	4,931,565

Shares with preferred rights issued by Dingdang Medicine Express Technology

Series A

In December 2016, Dingdang Medicine Express Technology entered into Series A share subscription agreement with a third-party investor. Dingdang Medicine Express Technology issued 5,555,555.55 shares with preferred rights at RMB1.00 per share for a total cash proceed of RMB100 million, representing 10.00% of the ownership of Dingdang Medicine Express Technology on a fully diluted basis.

The rights, preferences and privileges of Series A shares with preferred rights are as follows:

(a) Preemptive rights

When Dingdang Medicine Express Technology increases capital/issuance of new shares, it should first notify the Series A investor in writing of the proposed conditions, commercial terms and related terms of the capital increase/new share issuance, including but not limited to the number of capital increase/issuance of new shares, pricing standards, estimated completion time, etc., the Series A investor shall have the same priority to subscribe for capital increase/subscribe for newly issued shares based on its shareholding ratio under the same terms and conditions as the existing shareholders.

(b) Right of first refusal

When Dingdang Medicine Express Technology’s existing shareholders intend to sell, transfer or otherwise dispose of all or part of Dingdang Medicine Express Technology’s equity held by them, the proposed conditions for the transfer or disposal should be the first to notify in writing to the Series A investor, including but not limited to the number of transfers and disposals of equity, pricing standards, proposed transferees and estimated completion time, and other information. The Series A investor shall have the same preemptive right to purchase the equity to be transferred based on its shareholding ratio under the same terms and conditions as other existing shareholders.

(c) Dividend rights

When Dingdang Medicine Express Technology decides to distribute dividends, the Series A investor has a veto right at the decision-making level of the board of directors. When Dingdang Medicine Express Technology’s board of directors decides to distribute dividends, it shall not distribute dividends or bonuses to other shareholders until the Series A investor has fully received the dividends.

(d) Rights of co-sale

When the Controlling Shareholder intends to sell, transfer or otherwise dispose of all or part of Dingdang Medicine Express Technology’s equity held by him, a notice of transfer with proposed conditions, commercial terms and any related terms should be provided to the Series A investor. The Series A investor have the right to transfer the equity based on the shareholding ratio on the same terms and conditions in the transfer notice.

The Series A shares with preferred rights were classified as equity instrument as there is no contractual obligations for Dingdang Medicine Express Technology to deliver cash or other financial assets.

APPENDIX I

ACCOUNTANTS' REPORT

Series A+

In November 2017, Dingdang Medicine Express Technology entered into Series A+ share subscription agreement with a third-party investor, Dingdang Medicine Express Technology issued 6,250,000.00 shares with preferred rights at RMB1.00 per share for a total cash proceed of RMB100 million, representing 10.00% of the ownership of Dingdang Medicine Express Technology on a fully diluted basis. Upon pre-investment adjustment, the quantity of Series A investor's shares have been increased from 5,555,555.55 to 6,250,000.00.

The key terms of Series A+ shares with preferred rights and modification of Series A shares with preferred rights are set as below:

(a) Anti-dilution rights

When Dingdang Medicine Express Technology intends to increase its registered capital through capital increase and share expansion, issuance of new shares or issuance of convertible bonds, if the subscription price for each RMB registered capital of such subsequent capital increased is lower than the subscription price corresponding to each RMB of registered capital invested by Series A and A+ investors in Dingdang Medicine Express Technology, Series A and A+ investors have the rights to require the Controlling Shareholder to jointly and severally transfer a certain proportion of Dingdang Medicine Express Technology's shares to Series A and A+ investors free of charge to adjust Series A and A+ investors' proportion of shares held equal to a specific proportion.

(b) Liquidation preference

In the event of any liquidation, dissolution, bankruptcy, winding up of Dingdang Medicine Express Technology, all assets and funds of Dingdang Medicine Express Technology legally available for distribution to the shareholders shall be distributed to the shareholders of Dingdang Medicine Express Technology as follows:

- Investors of Series A and A+ shares with preferred rights
- Other shareholders of Dingdang Medicine Express Technology except investors of Series A and A+ shares with preferred rights

(c) Dividend rights

All of the shareholders of Dingdang Medicine Express Technology shall be entitled to receive dividends, out of no more than 10% of the net profit after tax if there is still a surplus after making up the loss and drawing the statutory surplus reserve. Each shareholder has the right to receive dividends with the basis of the proportion of paid in capital.

(d) Redemption Rights

The Series A+ investor has the right to require the Controlling Shareholder to jointly and severally purchase the shares of Dingdang Medicine Express Technology held by the Series A+ investor if the investment agreement is terminated due to the provisions as follows:

- If Dingdang Medicine Express Technology fails to complete the registration and filing procedures, the Series A+ investor can terminate the agreement;
- If Dingdang Medicine Express Technology and/or the Controlling Shareholder violate or fail to fulfill any of their commitments and cause significant adverse effects on Dingdang Medicine Express Technology and/or the Series A+ investor, the Series A+ investor may terminate agreement;
- If all the statements and warranties made by Dingdang Medicine Express Technology and/or the Controlling Shareholder are false, inaccurate, omission or misleading and lead to significant adverse effect to Dingdang Medicine Express Technology and/or the Series A+ investor, the Series A+ investor can terminate the agreement accordingly;
- If any non-performing party fails to properly perform other obligations under the agreement and has not been fulfilled or rectified within 45 days after receipt of the notice from other observant investors, any observant investors can terminate the agreement accordingly.

The redemption price for Series A+ shares with preferred rights shall be 100% of the issue price plus 8% simple annual interest of the issue price commencing from the issue date minus all the distributed dividends.

Series A+ investors are also entitled to the right of co-sale, preemptive rights and rights of first refused as Series A investors.

APPENDIX I

ACCOUNTANTS’ REPORT

As the Series A+ shares with preferred rights are contingently redeemable by the holders under certain events and the share numbers are variable due to the potential adjustments aforementioned under certain circumstances which are not purely “anti-dilutive” in nature. The Series A+ shares with preferred rights are initially recognized at fair value. The Group designates the entire Series A+ shares with preferred rights as financial liabilities at FVTPL with fair value change recognized in “fair value changes of financial liabilities at FVTPL” in profit or loss.

The modifications to the Series A shares with preferred rights, i.e. the anti-dilution rights granted to holders of Series A shares with preferred rights, results to derecognition of the equity and financial liability is recognized at its fair value at modification date with reference to IAS32.16 (b), with the difference is recognized as an adjustment within equity. The Group also designates Series A shares with preferred rights as financial liabilities at FVTPL with fair value change recognized in “fair value changes of financial liabilities at FVTPL” in profit or loss.

Series B

In January 2019, Dingdang Medicine Express Technology entered into Series B share subscription agreement with third-party investors. Dingdang Medicine Express Technology issued 14,705,882 shares at RMB1.00 per share for a total cash proceed of RMB400 million, representing 19.05% of the ownership of Dingdang Medicine Express Technology on a fully diluted basis.

The key terms of Series B shares with preferred rights and modification of Series A and A+ shares with preferred rights are set as below:

(a) *Anti-dilution rights*

When Dingdang Medicine Express Technology intends to increase its registered capital through capital increase and share expansion, issuance of new shares or issuance of convertible bonds, if the subscription price for each RMB registered capital of such subsequent capital increased is lower than the subscription price corresponding to each RMB of registered capital invested by Series A, A+ and B investors in Dingdang Medicine Express Technology, Series A, A+ and B investors have the rights to require the Controlling Shareholder to jointly and severally transfer a certain proportion of Dingdang Medicine Express Technology’s shares to Series A, A+ and B investors free of charge to adjust Series A, A+ and B investors’ subscription price of each RMB registered capital equal to a specific amount calculated by a generalized weighted average formula which would lead to a different shares compensation quantity with the formula used in Series A+.

(b) *Liquidation preference*

In the event of any liquidation, dissolution, bankruptcy, winding up of Dingdang Medicine Express Technology, Dingdang Medicine Express Technology’s property should first be used to pay social insurance fees, statutory compensation, taxes owed, and debt. The remaining property (if any) shall be distributed in the following order:

- Investors of Series B shares with preferred rights
- Investors of Series A and A+ shares with preferred rights
- Other shareholders of Dingdang Medicine Express Technology except investors of Series A, A+ and B shares with preferred rights

(c) *Redemption rights*

The Series A+ and B investor have the right to require Dingdang Medicine Express Technology and the Controlling Shareholder to jointly and severally purchase all or part of the shares of Dingdang Medicine Express Technology held by the Series A+ and B investors due to the provisions as follow:

- If an [REDACTED] has not been consummated on the stock exchange market before March 31, 2024 after the date of the signed Series B share subscription agreement or after the Company submitted its [REDACTED] application materials, it has been rejected or voluntarily withdrawn due to the existence of horizontal competition with Renhe (Group) Development Co., Ltd.* (仁和(集團)發展有限公司) (“Renhe (Group)”) and cannot eliminate such obstacles through rectification;
- There is a material breach of any of the transaction documents or material violation of applicable laws by any companies comprising in Dingdang Medicine Express Technology and the Controlling Shareholder or violation has caused a material adverse effect to the Group or the investors;
- Other serious breaches of the contract occurred, and failed to correct after 30 days from the date of written notice of any series B investor’s requesting;

* English names are for identification purpose only.

APPENDIX I

ACCOUNTANTS’ REPORT

The redemption price for Series A+ and Series B shares with preferred rights shall be the amount of paid in capital held multiply by Series A+ and Series B subscription price respectively, plus 8% simple annual interest of the issue price commencing from the issue date minus all the distributed dividends per share with preferred rights then held by such shareholder.

Series B investors are also entitled to the preemptive rights, dividend rights, rights of co-sale and rights of first refusal as Series A and A+ investors.

As the Series B shares with preferred rights are contingently redeemable by the holders under certain events and the share numbers are variable due to the potential adjustments aforementioned under certain circumstances which are not purely “anti-dilutive” in nature. The Series B shares with preferred rights are initially recognized at fair value. The Group designates the entire Series B shares with preferred rights as financial liabilities at FVTPL with fair value change recognized in “fair value changes of financial liabilities at FVTPL” in profit or loss.

For the modification of Series A and A+ shares with preferred rights contractual terms, the revised terms did not result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. Series A and A+ shares with preferred rights are still recognized as financial liabilities at FVTPL with fair value change recognized in “fair value changes of financial liabilities at FVTPL” in profit or loss. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

Series B+

In May 2020, Dingdang Medicine Express Technology entered into Series B+ share subscription agreement with third-party investors. Dingdang Medicine Express Technology issued 22,270,933 shares at RMB1.00 per share for a total cash proceed of RMB825 million, representing 22.39% of the ownership of Dingdang Medicine Express Technology on a fully diluted basis.

The key terms of Series B+ shares with preferred rights and modification of Series A, A+ and B shares with preferred rights are set as below:

(a) *Liquidation preference*

In the event of any liquidation, dissolution, bankruptcy, winding up or sale of Dingdang Medicine Express Technology, all assets and funds of Dingdang Medicine Express Technology legally available for distribution to the shareholders (after satisfaction of all creditors’ claims and claims that may be preferred by applicable laws) shall be distributed to the shareholders of Dingdang Medicine Express Technology as follows:

- Investors of Series B+ shares with preferred rights;
- Investors of Series B shares with preferred rights;
- Investors of Series A+ shares with preferred rights;
- Investors of Series A shares with preferred rights;
- Other shareholders of Dingdang Medicine Express Technology except investors of Series A, A+, B and B+ shares with preferred rights;

(b) *Redemption rights*

The Series A+, Series B and Series B+ shares with preferred rights shall be redeemable at the option to purchase all or part of Dingdang Medicine Express Technology’s equity held by the Series A+ and Series B investors as provided below:

- If an [REDACTED] has not been consummated on the Stock Exchange market before March 31, 2024 after the date of signed Series B+ share subscription agreement or after the Company submitted its [REDACTED] application materials, it has been rejected or voluntarily withdrawn due to the existence of horizontal competition with Renhe (Group) and cannot eliminate such obstacles through rectification;
- There is a material breach of any of the transaction documents or material violation of applicable laws by any companies comprising in Dingdang Medicine Express Technology and the Controlling Shareholder or violation has caused a material adverse effect to the Group or the investors;
- Other serious breaches of the contract occurred, and failed to correct after 30 days from the date of written notice of any series B+ investor’s requesting;

APPENDIX I

ACCOUNTANTS’ REPORT

The redemption price for Series A+, Series B and Series B+ shares with preferred rights shall be the amount of paid in capital held multiply by Series A+, Series B and Series B+ subscription price respectively, plus 8% simple annual interest of the issue price commencing from the issue date minus all the distributed dividends per share with preferred rights then held by such shareholder.

Series B+ investors are also entitled to the preemptive rights, dividend rights, rights of co-sale, rights of first refusal and anti-dilution rights as Series A, A+ and B investors.

As the Series B+ shares with preferred rights are contingently redeemable by the holders under certain events and the share numbers are variable due to the potential adjustments aforementioned under certain circumstances which are not purely “anti-dilutive” in nature. The Series B+ shares with preferred rights are initially recognized at fair value. The Group designates the entire Series B+ shares with preferred rights as financial liabilities at FVTPL with fair value change recognized in “fair value changes of financial liabilities at FVTPL” in profit or loss.

For the modification of Series A, A+ and B shares with preferred rights contractual terms, the revised terms not result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. Series A, A+ and B shares with preferred rights are still recognized as financial liabilities at FVTPL with fair value change recognized in “fair value changes of financial liabilities at FVTPL” in profit or loss. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

Preferred Shares issued by the Company

In May 2021, as part of Reorganization, the Company entered into a share subscription agreement with independent investors of Series A, Series A+, Series B and Series B+ to issue certain number of preferred shares of the Company to these investors to reflect their rights obligations and shareholding in Dingdang Medicine Express Technology. The directors of the Company measured the fair value of the derecognised Series A, Series A+, Series B and Series B+ shares with preferred rights in Dingdang Medicine Express Technology and that of the newly issued preferred shares, assisted by an independent qualified professional valuer and determined that there was no significant differences. On the same day, the Company issued 182,374,160 Series C preferred shares with par value of USD0.0001 per share for a total cash proceeds of RMB1,404 million, representing 13.94% ownership of the Company.

Upon the completion of Reorganization, the key terms of Preferred Shares are set as below:

(a) *Preemptive rights*

When the Company increases capital/issuance of new shares, it should first notify the Preferred Shares investor in writing of the proposed conditions, commercial terms and related terms of the capital increase/new share issuance, including but not limited to the number of capital increase/issuance of new shares, pricing standards, estimated completion time, etc., the Preferred Shares investor shall have the same priority to subscribe for capital increase/subscribe for newly issued shares based on its shareholding ratio under the same terms and conditions as the existing shareholders.

(b) *Right of first refusal*

When the Company’s existing shareholders intend to sell, transfer or otherwise dispose of all or part of the Company’s equity held by them, the proposed conditions for the transfer or disposal should be the first to notify in writing to the Preferred Shares investor, including but not limited to the number of transfers and disposals of equity, pricing standards, proposed transferees and estimated completion time, and other information. The Preferred Shares investor shall have the same preemptive right to purchase the equity to be transferred based on its shareholding ratio under the same terms and conditions as other existing shareholders.

(c) *Dividend rights*

The board of directors may from time to time declare dividends and distributions on shares of the Company outstanding and authorize payment of the same out of the funds of the Company lawfully available therefore. When the Company’s board of directors decides to distribute dividends, it shall not distribute dividends or bonuses to other shareholders until the Preferred Shares investor has fully received the dividends.

(d) *Rights of co-sale*

When the Controlling Shareholder intends to sell, transfer or otherwise dispose of all or part of the Company’s equity held by him, a notice of transfer with proposed conditions, commercial terms and any related terms should be provided to the Preferred Shares investor. The Preferred Shares investor have the right to transfer the equity based on the shareholding ratio on the same terms and conditions in the transfer notice.

APPENDIX I

ACCOUNTANTS' REPORT

(e) *Liquidation preference*

In the event of any liquidation, dissolution, bankruptcy, winding up or sale of the Company all assets and funds of the Company legally available for distribution to the shareholders (after satisfaction of all creditors' claims and claims that may be preferred by applicable laws) shall be distributed to the shareholders of the Company as follows:

- Investors of Series C preferred shares;
- Investors of Series B+ preferred shares;
- Investors of Series B preferred shares;
- Investors of Series A and A+ preferred shares;
- Other shareholders of the Company except investors of Preferred Shares;

(f) *Redemption rights*

The Preferred Shares shall be redeemable at the option to purchase all or part of the Company's equity held by the Preferred Shares investors as provided below:

- If an [REDACTED] has not been consummated on the Stock Exchange market before March 31, 2024; it has been rejected or voluntarily withdrawn due to the existence of horizontal competition with Renhe (Group) and cannot eliminate such obstacles through rectification;
- Any holder of the Preferred Shares has exercised its redemption rights pursuant;
- There is a material breach of any of the transaction documents or material violation of applicable laws by any companies comprising in the Company's and the Controlling Shareholder or violation has caused a material adverse effect to the Group or the investors;
- Other serious breaches of the contract occurred, and failed to correct after 30 days from the date of written notice of any investor's requesting;

The redemption price of Series A, Series A+, Series B and Series B+ preferred shares shall be the greater of (i) (A) one hundred percent (100%) of issue price of each round plus (B) eight percent (8%) simple annual interest of the corresponding issue price commencing from issue date minus (C) all the distributed dividends with respect to per series preferred share then held by such preferred share shareholders and (ii) the net asset value in respect of such series preferred share based on the latest audited financial statements of the Company.

The redemption price of Series C preferred shares shall be the greater of (i) the sum of (A) one hundred percent (100%) of the Series C issue price, (B) eight percent (8%) compound annual interest of the Series C issue price commencing from Series C issue date and (C) all dividends declared and unpaid with respect to per Series C preferred share then held by such Series C shareholder and (ii) the net asset value in respect of such Series C preferred share based on the latest audited financial statements of the Company.

(g) *Conversion Rights*

Each Preferred Share shall be convertible, at the option of the holder thereof, into such number of fully paid and non-assessable ordinary shares as determined by dividing the relevant deemed issue price by the then-effective relevant conversion price. The conversion price for the Preferred Shares shall initially be equal to issue price of each round of preferred shares, resulting in an initial conversion ratio of 1:1, and shall be subject to adjustment and readjustment from time to time as hereinafter provided.

Each Preferred Share shall automatically be converted, based on the then-effective conversion price for such Preferred Share, without the payment of any additional consideration, into fully-paid and non-assessable ordinary shares upon the earlier of (i) the closing of an [REDACTED], or (ii) with respect to any class of shares, the written notice signed by the holders representing more than 50% of the voting power of the outstanding shares of such class, voting as a separate class and calculated on an as-converted basis. If the Company shall at any time, or from time to time, effect a subdivision of the outstanding ordinary shares, the conversion price then in effect immediately prior to such subdivision with respect to each preferred share shall be proportionately decreased. Conversely, if the Company shall at any time, or from time to time, combine the outstanding ordinary shares into a smaller number of shares, the conversion price then in effect immediately prior to such combination with respect to each preferred share shall be proportionately increased. Any adjustment shall become effective at the close of business on the date the subdivision or combination becomes effective.

Dingdang Medicine Express Technology derecognized financial liabilities at FVTPL of Series A, A+, B, B+ shares with preferred rights due to the Capital Reduction and the Company designated the Preferred Shares as financial liabilities at FVTPL as they are contingently redeemable by the holders of these Preferred Shares under certain events out of control of the Company and will be settled other than by the exchange of a fixed amount of cash for a fixed number of the Company's shares.

APPENDIX I

ACCOUNTANTS’ REPORT

Presentation and Classification

The shares with preferred rights and Preferred Shares were valued by the directors of Dingdang Medicine Express Technology and the Company with reference to valuation carried out by independent qualified professional valuer, ValueLink Management Consultants Limited. Dingdang Medicine Express Technology and the Company used the discounted cash flow method as of December 31, 2019, 2020, 2021 and March 31, 2022 and back-solve method as of December 31, 2018 to determine the underlying share value of Dingdang Medicine Express Technology and the Company and performed an equity allocation based on option pricing model to arrive the fair value of the shares with preferred rights and Preferred Shares as of the dates of issuance and at the end of each Track Record period.

Back-solve method is used by the directors when there is a new round of third party financing activity happens just around the valuation date. Series B shares with preferred rights was issued in January 2019, with reference of whose issue price the directors determined the underlying share value as of December 31, 2018.

The directors consider the discounted cash flow method is more relevant and appropriate for December 31, 2019, 2020, 2021 and March 31, 2022 valuation, considering there was no third party financing activity near such valuation date.

Key valuation assumptions are set out as below:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
Risk-free interest rate	2.95%	2.81%	2.93%	0.79%	2.28%
Expected volatility value	42.48%	43.91%	43.03%	45.26%	43.70%
Discount rate	N/A	20.00%	17.00%	15.00%	15.00%
DLOM under liquidation scenario	20.00%	19.00%	17.00%	15.00%	13.50%
DLOM under redemption scenario	20.00%	19.00%	17.00%	15.00%	13.50%
DLOM under listing scenario	20.00%	19.00%	17.00%	7.50%	6.00%
Possibilities under liquidation scenario	35.00%	35.00%	27.50%	15.00%	15.00%
Possibilities under redemption scenario	35.00%	35.00%	27.50%	15.00%	15.00%
Possibilities under listing scenario	30.00%	30.00%	45.00%	70.00%	70.00%

Movement of financial liabilities at FVTPL during the Track Record Period is set out in Note 34.4.

The directors of the Company estimated the risk free interest rate based on the yield of the Chinese treasury bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates as at December 31, 2018, 2019 and 2020, and American treasury bonds with a maturity life close to period from the respective valuation dates to the expected liquidation dates as at December 31, 2021 and March 31, 2022. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates. Discount rate was estimated by weighted average cost of capital as of each valuation date. The DLOM was estimated based on the option-pricing method.

The Company

The determination of the fair value for the Preferred Shares is set out in Note 25 “The Group”.

Fair value for each series at the end of each Track Record Period are as follows:

	As of December 31,	As of March 31,
	2021	2022
	RMB’000	RMB’000
Non-current liabilities		
Series A	386,953	415,036
Series A+	386,953	415,036
Series B	956,860	1,022,664
Series B+	1,503,977	1,597,838
Series C	1,416,207	1,480,991
Total	4,650,950	4,931,565

APPENDIX I

ACCOUNTANTS’ REPORT

26. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognized and movements thereon during the Track Record Period:

	Revaluation in acquisitions
	RMB’000
At January 1, 2018	–
Recognized in acquisitions (Note 31)	1,181
Credit to profit or loss	(105)
At December 31, 2018	1,076
Recognized in acquisitions (Note 31)	10,219
Credit to profit or loss	(1,176)
At December 31, 2019	10,119
Recognized in acquisitions (Note 31)	40,253
Credit to profit or loss	(1,307)
At December 31, 2020	49,065
Credit to profit or loss	(7,484)
At December 31, 2021	41,581
Credit to profit or loss	(1,871)
At March 31, 2022	39,710

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the Group had unused tax losses of RMB108,544,000, RMB211,197,000, RMB383,659,000, RMB634,775,000 and RMB683,289,000, respectively, available for offset against future profits. Due to the unpredictability of future profit streams, no deferred tax asset had been recognized for these unused tax losses. The tax losses with expiry dates as disclosed in the following table.

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
2019	328	–	–	–	–
2020	193	988	–	–	–
2021	3,270	7,955	4,689	–	–
2022	7,140	12,981	12,290	12,290	7,560
2023	15,749	43,514	45,877	45,832	37,361
2024	1,005	53,794	74,913	74,347	74,347
2025	47,305	47,305	154,376	154,015	154,015
2026	33,554	33,554	33,554	251,265	251,265
2027	–	–	–	–	57,393
2028	–	–	–	–	–
2029	–	11,106	11,106	11,106	11,106
2030	–	–	46,854	46,854	46,854
2031	–	–	–	39,066	39,066
2032	–	–	–	–	4,322
	<u>108,544</u>	<u>211,197</u>	<u>383,659</u>	<u>634,775</u>	<u>683,289</u>

As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, the Group had deductible temporary differences of RMB65,509,000, RMB132,546,000, RMB227,244,000, RMB633,336,000 and RMB699,164,000, respectively, from certain PRC entities. No deferred tax assets have been recognized in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.

27. PAID-IN CAPITAL/SHARE CAPITAL

The Group

For the purpose of this report, the paid-in capital/share capital of the Group represented the paid-in capital of Dingdang Medicine Express Technology and the share capital of the Company as of December 31, 2018, 2019 and 2020 as if the Reorganization had been completed before the Track Record Period. The share capital of the Group as of December 31, 2021 and March 31, 2022 represented the share capital of the Company as the Reorganization was completed in May 2021.

The Company

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 20, 2014. The initial authorized share capital of the Company was United States Dollar (the “USD”) 50,000 divided into 500,000,000 shares with a par value of USD0.0001. Upon incorporation, one subscriber share was issued and allotted to the initial subscriber, Sertus Nominees (Cayman) Limited, who subsequently transferred such share to Alliance Flow Limited on the same date. The Company also allotted one share to Golden Mission Group Limited on the same date. On November 12, 2014, the shares held by Alliance Flow Limited and Golden Mission Group Limited were transferred to Delight Faith Limited and Go Far Limited, respectively. On April 30, 2015, the Company issued 127,499,999 shares to each of Delight Faith Limited and Go Far Limited.

APPENDIX I

ACCOUNTANTS’ REPORT

On December 31, 2020, the 127,500,000 shares held by Delight Faith Limited and Go Far Limited were transferred to Delight Health Limited and Future Health Limited, respectively.

	Number of ordinary shares	Nominal value of ordinary shares
		USD
Authorized		
As of January 1, 2018, December 31, 2018, 2019 and 2020 of USD0.0001 each	500,000,000	50,000
Subdivision (Note i)	4,500,000,000	–
Consolidation (Note iii)	(4,500,000,000)	–
Creation of additional ordinary shares of USD0.0001 each (Note iii)	4,500,000,000	450,000
As of December 31, 2021 and March 31, 2022 of USD0.0001 each	5,000,000,000	500,000

	Number of ordinary shares	Paid in capital
		USD
Issued and fully paid		
As of January 1, 2018, December 31, 2018, 2019 and 2020 of USD0.0001 each	255,000,000	25,500
Subdivision (Note i)	2,295,000,000	–
Surrender of USD0.00001 each (Note ii)	(2,137,943,330)	(21,379)
Issue ordinary shares of USD0.00001 each (Note ii)	11,710,000	117
Consolidation (Note iii)	(381,390,003)	–
Issue ordinary shares of USD0.0001 each (Note iv)	457,623,333	45,762
Issue ordinary shares of USD0.0001 each (Note v)	130,793,590	13,079
As of December 31, 2021 of and March 31, 2022 USD0.0001 each	630,793,590	63,079

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Presented as	156	156	156	403	403

Notes:

- i. On April 20, 2021, the Company conducted a share subdivision and the authorized ordinary shares were subdivided from USD50,000 consisting of 500,000,000 ordinary shares of a par value of USD0.0001 each to USD50,000 consisting of 5,000,000,000 ordinary shares of a par value of USD0.00001 each. Thus the issued and fully paid shares increased by 2,295,000,000 ordinary shares from USD25,500 consisting of 255,000,000 ordinary shares of a par value of USD0.0001 each to USD25,500 consisting of 2,550,000,000 ordinary shares of a par value of USD0.00001 each.
- ii. On April 28, 2021, Delight Health Limited and Future Health Limited irrevocably surrendered to the Company for cancellation of total 2,137,943,330 ordinary shares of USD0.00001 par value each for nil consideration. The issued share capital of the Company diminished by USD21,379.4333 (equivalent to RMB131,000). The Company also issued 11,710,000 ordinary shares to Excel Returns Group Limited (致盈集團有限公司) on the same day.
- iii. On May 12, 2021, every ten ordinary shares with a par value of USD0.00001 each in the Company’s issued and unissued ordinary shares were consolidated into one ordinary share with par value of USD0.0001 each. Immediately following the share consolidation, the authorized share capital of the Company was consolidated from USD50,000 consisting of 5,000,000,000 ordinary shares with a par value of USD0.00001 each to USD50,000 consisting of 500,000,000 ordinary shares with a par value of USD0.0001 each. The issued and fully paid ordinary shares of the Company decreased by 381,390,003 ordinary shares from 423,766,670 ordinary shares with a par value of USD0.00001 each to 42,376,667 ordinary shares with a par value of USD0.0001 each.

On the same day, the authorized share capital of the Company increased from USD50,000 divided into 500,000,000 ordinary shares with a par value of USD0.0001 each, by the creation of additional 4,500,000,000 ordinary shares with a par value of USD0.0001 each, to USD500,000 divided into 5,000,000,000 ordinary shares with a par value of USD0.0001 each.

APPENDIX I

ACCOUNTANTS’ REPORT

- iv. During May 2021, the Company issued 457,623,333 ordinary shares with a par value of USD0.0001 to Excel Returns Group Limited, Go Prosper Enterprises Corporation (致盛企業有限公司), Much Premium Investment Limited (創基投資有限公司), Delight Health Limited and Future Health Limited, resulting in a total of 500,000,000 issued and fully paid ordinary shares with a par value of USD0.0001 each in total.
- v. On May 31, 2021, pursuant to a Founder Incentive Scheme, as defined in Note 29, 130,793,590 ordinary shares of USD0.0001 each were issued to the Controlling Shareholder.

28. RESERVES

The Company

	Share-based payments reserves	Other reserves	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2018, December 31, 2018 and December 31, 2019 . . .	–	–	–
Share-based payments expenses	3,574	–	3,574
At December 31, 2020	3,574	–	3,574
Share-based payments expenses	323,911	–	323,911
Capital reduction by shareholders of the Company	–	131	131
At December 31, 2021	327,485	131	327,616
Share-based payments expenses	69,419	–	69,419
At March 31, 2022	396,904	131	397,035

29. SHARE-BASED PAYMENTS

During the Track Record Period, the employees were granted share options and RSUs under the Share Incentive Plan. Accordingly, the Group accounted for such plans by measuring the services received from the grantees in accordance with the requirement applicable to equity-settled share-based payment transactions. No expense will be recognized unless and until the [REDACTED] is probable.

The table below sets forth share-based payments expenses for share options and RSUs during the Track Record Period:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Share options	–	–	2,059	8,211	1,209	710
RSUs	–	–	11,005	315,700	1,944	68,709
	–	–	13,064	323,911	3,153	69,419

(a) Details of the employee share option scheme of the Company

The employee share option scheme of the Company was pursuant to a resolution passed in May 2020 for the primary purpose of providing incentives to eligible employees. A total number of 11,710,000 shares under the share option scheme were classified into two categories with different lockup period, including 3,840,000 shares which were granted to common grantees, and the remaining shares were granted to special grantees. The total share options granted to common grantees will be vested by 30%, 30% and 40% in sequence over three years after [REDACTED] of the Company. The share options granted to special grantees will be vested by 40% and 60% over two years after [REDACTED] of the Company. Both categories of grantees should satisfy the performance appraisal.

Details of the employees’ share option is as follow:

Date of grant	Number of ordinary shares	Exercise price
As of May 30, 2020	11,710,000	RMB 0.1

APPENDIX I

ACCOUNTANTS’ REPORT

The following tables disclose the details of share options held by existing employees of the Company and movements in such holdings:

	Number of share options	Weighted average exercise price	Weighted average remaining term
		RMB	Year
Outstanding as of January 1, 2018, December 31, 2018 and 2019	–	–	
Granted	11,710,000	0.1	
Outstanding as of December 31, 2020	11,710,000	0.1	9.42
Forfeited	(230,000)	0.1	
Outstanding as of December 31, 2021	11,480,000	0.1	8.42
Forfeited	(90,000)	0.1	
Outstanding as of March 31, 2022	11,390,000	0.1	8.17

There were no exercisable share options during the Track Record Period.

The number of share options granted expected to vest has been reduced to reflect historical experience of forfeiture of 2.73% of options granted prior to completion of vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in the profit and loss over the remaining vesting period, with a corresponding adjustment to the share-based payments reserve.

(b) Fair value of share options granted

The valuation of the share option were conducted by the management with reference to valuation carried out by independent qualified professional valuer, ValueLink Management Consultants Limited, who has appropriate qualifications and experiences in valuation of similar instruments. Options were priced using a binomial option pricing model. The main inputs used in the model include fair value of the Company’s share as of the grant date, exercise price, expected volatility, expected life and risk-free interest rate. The inputs used in the model are as follows:

	Share options to common grantees	Share options to special grantees
Grant date	30/05/2020	30/05/2020
Exercise price	RMB0.1	RMB0.1
Expected life (years)	10	10
Expected volatility	52.82%	52.82%
Risk-free interest	2.71%	2.71%
Fair value as of grant date (per share)	RMB2.0663	RMB2.0653

A share-based compensation expenses of RMB2,059,000, RMB8,211,000, RMB1,209,000 (unaudited) and RMB710,000 for share options has been recognized in profit or loss for the year ended December 31, 2020 and 2021 and three months ended March 31, 2021 and 2022, respectively.

(c) Details of the RSUs

A RSUs plan of Dingdang Medicine Express Technology (the “2016 RSUs Plan”) was adopted pursuant to a resolution passed on September 13, 2016 for the primary purpose of providing incentives to eligible employees and directors, in which Dingdang Medicine Express Technology granted 85,333,330 RSUs to 26 employees and directors.

The time-based condition for the common grantees is that no more than 30%, 30% and 40% in sequence of vested shares can be disposed of in each of the three years after [REDACTED]. The time-based condition for the special grantees is that no vested shares can be disposed within six month after [REDACTED]. After six months, vested shares cannot be disposed without the authorization of the Company. The fair value of each RSUs under 2016 RSUs Plan for common grantees and special grantees were RMB0.5012 and RMB0.5100, respectively, on September 13, 2016.

On May 30, 2020, a supplementary agreement (the “2020 RSUs Plan”) was adopted by the Company. Considering the RSUs under both plans have been granted to same participants with same quantity, the fair value of the RSUs granted under 2016 RSUs Plan is broadly consistent with the fair value of the RSUs granted under 2020 RSUs Plan on May 30, 2020. The fair value of each RSUs granted under both plans were RMB2.3027 and RMB2.0334, respectively, on May 30, 2020. Accordingly, the 2016 RSUs Plan, was replaced as a result of the adoption of the 2020 RSUs Plan. The remaining employed 17 employees became the shareholders of the Company through Go Prosper Enterprises Corporation and Much Premium Investment Limited instead. The replacement of the plans has no effect on the vesting conditions of the grantees.

On May 31, 2021, an incentive shares plan (the “Founder Incentive Scheme”) was approved by the shareholders of the Company. Pursuant to the Founder Incentive Scheme, 130,793,590 ordinary shares, representing the then 10% of the total issued shares of the Company, were issued to the Controlling Shareholder. The purpose of the Founder Incentive Scheme was to recognize and reward the contribution of the Controlling Shareholder to the growth and development of the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

20% of the founder incentive shares will be released of upon the expiration of the lock-up period applicable to the founder after a qualified [REDACTED] of the Company. The time-based condition for the Controlling Shareholder is that 10%, 10%, 10% and 10% in sequence of vested shares can be disposed of in each of the first four anniversaries of the grant date. The performance-based condition for the Controlling Shareholder is that 10%, 10%, 10% and 10% in sequence of vested shares can be disposed of over four years upon satisfaction of certain performance conditions of the Group on the performance testing date, which is the date the board of the Company approves the final audited financial statements. The fair value of the RSU under Founder Incentive Scheme was RMB5.3197 per share on May 31, 2021.

A summary of the RSUs’ movement is as follows:

	Number of RSUs for common grantees	Number of RSUs for special grantees	Number of RSUs for the Controlling Shareholder		Weighted-average grant date fair value
				Total	
				RMB	RMB
Unvested as of January 1, 2018 (Note i) . . .	58,150,000	21,833,330	–	79,983,330	0.50
Canceled upon resignation (Note ii)	(200,000)	–	–	(200,000)	0.50
Unvested as of December 31, 2018	57,950,000	21,833,330	–	79,783,330	0.50
Canceled upon resignation (Note iii)	(200,000)	–	–	(200,000)	0.50
Unvested as of December 31, 2019	57,750,000	21,833,330	–	79,583,330	0.50
Canceled upon resignation (Note iv)	(3,350,000)	–	–	(3,350,000)	0.50
Unvested as of December 31, 2020	54,400,000	21,833,330	–	76,233,330	0.50
Grant	–	–	130,793,590	130,793,590	5.32
Unvested as of December 31, 2021 and March 31, 2022	<u>54,400,000</u>	<u>21,833,330</u>	<u>130,793,590</u>	<u>207,026,920</u>	3.55

Notes:

- i. From September 13, 2016 to January 1, 2018, 5,350,000 RSUs cancelled as a result of 3 grantees resigned. The remaining quantity of RSUs is 79,983,330 at January 1, 2018;
- ii. In 2018, 200,000 RSUs cancelled as a result of 1 grantee resigned;
- iii. In 2019, 200,000 RSUs cancelled as a result of 1 grantee resigned;
- iv. In 2020, 3,350,000 RSUs cancelled as a result of 4 grantees resigned.

Movement of the RSUs for directors, which has been included in common grantees and the Controlling Shareholder as shown above, is as follows:

	Number of RSUs for directors	Weighted-average grant date fair value
		RMB
Unvested as of January 1, 2018, December 31, 2018, 2019 and 2020 . . .	23,000,000	0.50
Grant	130,793,590	5.32
Unvested as of December 31, 2021 and March 31, 2022	<u>153,793,590</u>	<u>4.60</u>

The valuation of the RSUs were conducted by the management with reference to valuation reports carried out by independent qualified professional valuer, ValueLink Management Consultants Limited, who has appropriate qualifications and experiences in valuation of similar instruments. RSUs for grantees were priced using the value of the ordinary share of Dingdang Medicine Express Technology which determined by the discounted cash flow method with a DLOM and RSUs for the Controlling Shareholder were priced using the value of ordinary share of the Company which determined by the back-solve method with a DLOM. The key inputs used to evaluate the fair value of RSUs on the grant date are as follows:

	RSUs for common grantees	RSUs for special grantees	RSUs for the Controlling Shareholder
Discount rate	23%	23%	N/A
DLOM	<u>28%-30%</u>	<u>28%</u>	<u>10.5%-20.5%</u>

A share-based compensation expenses of RMB11,005,000, RMB315,700,000, RMB1,944,000 (unaudited) and RMB68,709,000 for RSUs have been recognized in profit or loss for the year ended December 31, 2020 and 2021 and three months ended March 31, 2021 and 2022, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

30. DIVIDENDS

In 2019, a final dividend to the non-controlling interests of RMB4,778,000 was declared and paid for the year ended December 31, 2018 by a subsidiary of the Company.

In 2020, a final dividend to the non-controlling interests of RMB7,585,000 was declared and among which RMB6,330,000 was paid for the year ended December 31, 2019 by certain subsidiaries of the Company. Subsequently, the rest dividend of RMB1,255,000 was paid in 2021.

In 2021, a final dividend to the non-controlling interests of RMB10,102,000 was declared for the year ended December 31, 2020 by certain subsidiaries of the Company.

The rate of dividend and the number of shares, ranking for the dividend are not presented as such information is not meaningful having regards for the purpose of this report.

Other than the above, no dividend was paid or declared by the Company and other companies comprising the Group during the Track Record Period.

31. ACQUISITION OF SUBSIDIARIES

During the Track Record Period, the Group acquired several companies’ interest in cash, which were principally engaged in pharmacy operating and were acquired with the objective of improving the Group’s distribution in pharmaceutical products. The acquisition have been accounted for as acquisition of business using the acquisition method.

Acquisition-related costs have been excluded from the consideration transferred and have been recognized as an expense during the Track Record Period, within the “General and administrative expenses” line item in the consolidated statements of profit or loss and other comprehensive income.

During the year ended December 31, 2018

The Group acquired 100% equity interest of Beijing Smart Pharmacy and Shanghai Smart Pharmacy on January 1, 2018, Jiangxi Zhongda Pharmacy Co., Ltd.* (江西中達藥業有限公司) (“Jiangxi Zhongda”) on January 31, 2018 and Beijing Dingdang Wisdom Juntai Pharmacy Co., Ltd.* (北京叮嚀智慧君泰大藥房有限公司) (“Juntai Pharmacy”) on March 31, 2018 from independent third parties. The assets acquired and liabilities recognized at the dates of acquisitions are as follows, representing in aggregate as such four subsidiaries are not treated as individually material.

Consideration transferred:

	RMB’000
Cash	24,510

Assets acquired and liabilities recognized at the dates of acquisitions

	RMB’000
Assets:	
Other intangible assets	2,422
Property and equipment	29,378
Right-of-use assets	60,905
Inventories	22,384
Trade and other receivables and prepayments	8,548
Financial assets at FVTPL	8,432
Cash and cash equivalents	3,746
Liabilities:	
Trade and other payables	(69,781)
Contract liabilities	(1,889)
Lease liabilities	(56,369)
Deferred tax liabilities	(1,181)
Net assets	6,595

* English names are for identification purpose only.

APPENDIX I

ACCOUNTANTS’ REPORT

The trade receivables acquired with a fair value of RMB3,493,000 at the dates of acquisitions had gross contractual amounts of RMB3,493,000. The best estimate at acquisition dates of the contractual cash flows not expected to be collected amounted to nil.

Goodwill arising on acquisitions

	RMB’000
Consideration transferred	24,510
Less: recognized amounts of net assets acquired	6,595
	<u>17,915</u>
Goodwill arising on acquisitions	18,223
Bargain purchase gains arising on acquisitions	(308)
	<u>17,915</u>

Goodwill arose on the acquisitions of these subsidiaries because the acquisitions included the advantage in location of retail pharmacies and potential customer relationship. Such benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisitions of these subsidiaries

	RMB’000
Cash consideration paid	24,510
Less: cash and cash equivalents balances acquired	3,746
	<u>20,764</u>

During the year ended December 31, 2019

The Group acquired 100% equity interest of Guangdong Smart Pharmacy on January 31, 2019, Dingdang Smart Pharmacy (Guangzhou) Co., Ltd.* (叮嚀智慧藥房(廣州)有限公司) (“Guangzhou Smart Pharmacy”) on February 28, 2019, Chengdu Dingdang Smart Pharmacy Chain Co., Ltd.* (成都叮嚀智慧藥房連鎖有限公司) (“Chengdu Smart Pharmacy”) on February 28, 2019, and Honghuanglv Trading (Foshan) Co., Ltd.* (紅皇綠商貿(佛山)有限公司, formerly known as 叮嚀智慧藥房(佛山)有限公司 and 佛山市南海區福慈藥業有限公司) on July 31, 2019, 85% equity interest of Dingdang Smart Pharmacy (Tianjin) Co., Ltd.* (叮嚀智慧藥房(天津)有限公司) (“Tianjin Smart Pharmacy”) on January 31, 2019 and Dingdang Smart Pharmacy (Hangzhou) Co., Ltd.* (叮嚀智慧藥房(杭州)有限公司) (“Hangzhou Smart Pharmacy”) on September 30, 2019 from independent third parties. The assets acquired and liabilities recognized at the dates of acquisitions are as follows, representing in aggregate as such six subsidiaries are not treated as individually material.

Consideration transferred:

Cash	RMB’000
	<u>18,809</u>

Assets acquired and liabilities recognized at the dates of acquisitions

	RMB’000
Assets:	
Other intangible assets	41,001
Property and equipment	13,546
Right-of-use assets	25,596
Inventories	21,383
Trade and other receivables and prepayments	13,564
Financial assets at FVTPL	5,579
Cash and cash equivalents	5,640
Liabilities:	
Trade and other payables	(140,289)
Contract liabilities	(71)
Lease liabilities	(23,354)
Deferred tax liabilities	(10,219)
Net liabilities	<u>(47,624)</u>

* English names are for identification purpose only.

APPENDIX I

ACCOUNTANTS' REPORT

The trade receivables acquired with a fair value of RMB4,479,000 at the dates of acquisitions had gross contractual amounts of RMB4,479,000. The best estimate at acquisition dates of the contractual cash flows not expected to be collected amounted to nil.

Non-controlling interests

The non-controlling interests (15% in Tianjin Smart Pharmacy and 15% in Hangzhou Smart Pharmacy) recognized at the acquisition dates were measured by reference to the proportionate share of recognized amounts of net liabilities and amounted to RMB518,000.

Goodwill arising on acquisitions:

	RMB'000
Consideration transferred	18,809
Plus: non-controlling interests	(518)
Less: recognized amounts of net liabilities acquired	(47,624)
Goodwill arising on acquisitions	<u>65,915</u>

Goodwill arose on the acquisitions of these subsidiaries because the acquisitions included the advantage in location of retail pharmacies and some potential customer relationship. Such benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisitions of subsidiaries

	RMB'000
Cash consideration paid	18,809
Less: cash and cash equivalents balances acquired	5,640
	<u>13,169</u>

During the year ended December 31, 2020

- (a) The Group acquired 52% equity interest of Renhe Yaofangwang in December 2020 from Renhe Pharmacy Co., Ltd.* (仁和藥業股份有限公司), a related company significantly influenced by the Controlling Shareholder and an independent third party. The assets acquired and liabilities recognized at the date of acquisition are as follows.

Consideration transferred:

	RMB'000
Cash	<u>218,192</u>

Assets acquired and liabilities recognized at the date of acquisition

	RMB'000
Assets:	
Other intangible assets	184,981
Property and equipment	2,185
Right-of-use assets	15,759
Inventories	35,627
Trade and other receivables and prepayments	21,695
Financial assets at FVTPL	1,230
Cash and cash equivalents	19,699
Liabilities:	
Trade and other payables	(121,439)
Contract liabilities	(10,541)
Lease liabilities	(13,602)
Deferred tax liabilities	(39,450)
Net assets	<u>96,144</u>

* English names are for identification purpose only.

APPENDIX I

ACCOUNTANTS’ REPORT

The trade receivables acquired with a fair value of RMB12,188,000 at the date of acquisition had gross contractual amounts of RMB12,188,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected amounted to nil.

Non-controlling interests

The non-controlling interests of 48% in Renhe Yaofangwang recognized at the acquisition date were measured by reference to the proportionate share of recognized amounts of net assets and amounted to RMB46,930,000.

Goodwill arising on acquisition:

	RMB’000
Consideration transferred	218,192
Plus: non-controlling interests of Renhe Yaofangwang	46,930
Plus: non-controlling interests of a subsidiary of Renhe Yaofangwang	(1,627)
Less: recognized amounts of net assets acquired	96,144
Goodwill arising on acquisition	<u>167,351</u>

Goodwill arose on the acquisition of the subsidiary because the acquisition included the advantage in location of retail pharmacies and some potential customer relationship. Such benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash outflow on acquisition of the subsidiary

	RMB’000
Cash consideration paid	218,192
Less: cash and cash equivalents balances acquired	19,699
	<u>198,493</u>

- (b) The Group acquired 70% equity interest of Dingdang Youpin on October 1, 2020, 60% equity interest of Dingdang Good Mood on November 1, 2020 and 70% equity interest of Henan Dingdang Smart Pharmacy Co., Ltd.* (河南叮嚀智慧藥房有限公司) (“Henan Smart Pharmacy”) on November 30, 2020 from independent third parties. The assets acquired and liabilities recognized at the dates of acquisitions are as follows, representing in aggregate as such three subsidiaries are not treated as individually material.

Consideration transferred:

	RMB’000
Cash	<u>6,930</u>

Assets acquired and liabilities recognized at the dates of acquisitions

	RMB’000
Assets:	
Other intangible assets	3,212
Property and equipment	275
Right-of-use assets	4,496
Inventories	4,314
Trade and other receivables and prepayments	2,659
Financial assets at FVTPL	995
Cash and cash equivalents	1,148
Liabilities:	
Trade and other payables	(10,348)
Contract liabilities	(33)
Lease liabilities	(4,130)
Deferred tax liabilities	(803)
Net assets	<u>1,785</u>

* English names are for identification purpose only.

APPENDIX I

ACCOUNTANTS' REPORT

The trade receivables acquired with a fair value of RMB162,000 at the dates of acquisitions had gross contractual amounts of RMB162,000. The best estimate at acquisition dates of the contractual cash flows not expected to be collected amounted to nil.

Non-controlling interests

The non-controlling interests (40% in Dingdang Good Mood, 30% in Dingdang Youpin and Henan Smart Pharmacy) recognized at the acquisition dates were measured by reference to the proportionate share of recognized amounts of net assets and amounted to RMB1,264,000.

Goodwill arising on acquisitions:

	RMB'000
Consideration transferred	6,930
Plus: non-controlling interests	1,264
Less: recognized amounts of net assets acquired	1,785
Goodwill arising on acquisitions	<u>6,409</u>

Goodwill arose on the acquisitions of these subsidiaries because the acquisitions included the advantage in location of retail pharmacies and some potential customer relationship. Such benefits are not recognized separately from goodwill as they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisitions of subsidiaries

	RMB'000
Cash consideration paid	6,930
Less: cash and cash equivalents balances acquired	1,148
	<u>5,782</u>

Impact of acquisitions on the results of the Group

Included in the loss for the year ended December 31, 2018, 2019 and 2020 is loss of RMB52.5 million, RMB37.6 million, and RMB2.3 million, respectively, attributable to the additional business. Revenue for the year ended December 31, 2018, 2019 and 2020 includes RMB397.0 million, RMB216.1 million, and RMB2.7 million, respectively, generated from the additional business.

Had the acquisitions of subsidiaries been completed on January 1, 2018, January 1, 2019, January 1, 2020, respectively, revenue for the year of the Group would have been RMB584.6 million, RMB1,304.8 million and RMB2,667.3 million, respectively. Loss for the year would have been RMB103.2 million, RMB283.7 million and RMB969.1 million, respectively.

The [REDACTED] information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisitions been completed on January 1, 2018, 2019, and 2020, nor is it intended to be a projection of future results. In determining the '[REDACTED]' revenue and profit of the Group had subsidiaries been acquired at January 1, 2018, January 1, 2019, January 1, 2020, respectively, the directors of the Company calculated depreciation/amortization of right-of-use assets and other intangible assets based on the recognized amounts of right-of-use assets and other intangible assets at the dates of the acquisitions.

APPENDIX I

ACCOUNTANTS’ REPORT

32. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

On March 31, 2019, the Group disposed 100% equity interest of its wholly owned subsidiaries named Jiangxi Renfang Technology Co., Ltd* (江西仁方科技有限公司) (“Jiangxi Renfang”) and Jiangxi Renyue Health Technology Co., Ltd* (江西仁悦健康科技有限公司) (“Jiangxi Renyue”) to independent third parties. The aggregate net assets of the subsidiaries at the date of disposal were as follows:

(a) The disposal of Jiangxi Renfang

Consideration received:

	RMB’000
Cash received	5,127

Analysis of assets and liabilities over which control was lost:

	31/03/2019
	RMB’000
Assets:	
Property and equipment	92
Trade and other receivables and prepayments	1,925
Inventories	106
Cash and cash equivalents	4,848
Liabilities:	
Trade and other payables	(1,111)
Contract liabilities	(733)
Net assets disposed of	5,127

Gain or loss on disposal of a subsidiary:

	RMB’000
Consideration received	5,127
Net assets disposed of	(5,127)
Derecognized of goodwill arising from acquisition of the subsidiary	(1,292)
Loss on disposal	(1,292)

Net cash inflow arising on disposal:

	RMB’000
Cash consideration	5,127
Less: cash and cash equivalents disposed of	4,848
	279

* English names are for identification purpose only.

APPENDIX I

ACCOUNTANTS' REPORT

(b) The disposal of Jiangxi Renyue

Consideration received:

Cash received	RMB'000 1,712
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Analysis of assets and liabilities over which control was lost:

	31/03/2019
	RMB'000
Assets:	
Property and equipment	1
Trade and other receivables and prepayments	2,447
Inventories	149
Cash and cash equivalents	1,364
Liabilities:	
Trade and other payables	(757)
Contract liabilities	(1,492)
Net assets disposed of	1,712

Gain or loss on disposal of a subsidiary:

	RMB'000
Consideration received	1,712
Net assets disposed of	(1,712)
Gain on disposal	–

Net cash inflow arising on disposal:

	RMB'000
Cash consideration	1,712
Less: cash and cash equivalents disposed of	1,364
	348

During the year ended December 31, 2020, the Group disposed all of its 51% equity interest in subsidiary named Beijing Huixin Tongchuang Pharmaceutical Investment Management Co., Ltd* (北京慧鑫同創醫藥投資管理有限公司, formerly known as 叮嚀醫藥投資管理(北京)有限公司), to independent third parties and deregistered two subsidiaries named Shanghai Tongyi Pharmacy Co., Ltd* (上海童頤大藥房有限公司) and Hangzhou Jiaying Pharmacy Co., Ltd* (杭州佳英藥房有限公司). The aggregate net assets of the subsidiaries at the dates of disposal/deregistration were as follows:

Consideration received:

Cash received	RMB'000 4,200
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Analysis of assets and liabilities over which control was lost:

	RMB'000
Assets:	
Right-of-use assets	473
Trade and other receivables and prepayments	2,961
Inventories	122
Cash and cash equivalents	11
Liability:	
Trade and other payables	(1,366)
Lease liabilities	(542)
Net assets disposed/deregistered of	1,659

* English names are for identification purpose only.

APPENDIX I

ACCOUNTANTS' REPORT

	RMB'000
Gain or loss on disposal/deregistration of subsidiaries:	
Consideration received	4,200
Net assets disposed/deregistrated of	(1,659)
Derecognized of goodwill arising from acquisition of the subsidiary	(2,847)
Non-controlling interests	1,378
Gain on disposal/deregistration	1,072

Net cash inflow arising on disposal/deregistration:

	RMB'000
Cash consideration	4,200
Less: cash and cash equivalents disposed/deregistrated of	11
	4,189

During the year ended December 31, 2021, the Group deregistered ten subsidiaries named Juntai Pharmacy, Dingdang Health Community Service (Beijing) Co., Ltd.* (叮嚀健康社區服務(北京)有限公司), Shijiazhuang Dingdang Health Management Co., Ltd.* (石家莊叮嚀健康管理有限公司), Zhangshu Bailite Medical Instrument Co., Ltd.* (樟樹市百力特醫療器械有限公司), Henan Dingdang Health Management Co., Ltd.* (河南叮嚀健康管理有限公司), Honghuanglv Trading (Foshan) Co., Ltd., Dingdang Haoshenghuo (Beijing) Technology Co., Ltd.* (叮嚀好生活(北京)科技有限公司), Jiangxi Youxuan Pharmaceutical Chain Co., Ltd.* (江西優選醫藥連鎖有限公司), Renhe Yaofangwang (Beijing) Health Management Co., Ltd.* (仁和藥房網(北京)健康管理有限公司) and Beijing Kanglida Express Co., Ltd.* (北京康立達快遞有限公司), and disposed three subsidiaries named Shanghai Muhe Medical Equipment Co., Ltd.* (上海慕和醫療器械有限公司), Renhe Yaofangwang (Shanxi) Medicine Technology Co., Ltd.* (仁和藥房網(山西)醫藥科技有限公司) and Renhe Yaofangwang (Shanxi) Medical Health Management Co., Ltd.* (仁和藥房網(山西)醫療健康管理有限公司). The aggregate net assets of the subsidiaries at the dates of deregistration/disposal were as follows:

Consideration received:

	RMB'000
Cash received	-

Analysis of assets and liabilities over which control were lost:

	RMB'000
Assets:	
Right-of-use assets	714
Trade and other receivables and prepayments	40
Liability:	
Trade and other payables	(62)
Lease liabilities	(913)
Net liability deregistrated/disposed of	(221)

	RMB'000
Gain or loss on deregistration of subsidiaries:	
Consideration received	-
Net liability deregistrated/disposed of	221
Derecognized of goodwill arising from acquisition of the subsidiaries	(655)
Loss on deregistration/disposed	(434)

Net cash inflow arising on deregistration:

	RMB'000
Cash consideration	-
Less: cash and cash equivalents deregistrated/disposed of	-
	-

APPENDIX I

ACCOUNTANTS' REPORT

33. OPERATING LEASE ARRANGEMENT

The Group as lessor

The Group accounts for the headlease and the sublease as two separate contracts when acts as an intermediate lessor. The subleases are classified as operating leases by reference to the right-of-use assets arising from the headlease, which have committed lessees for the next 1 to 6 years.

Undiscounted lease payments receivable on leases are as follows:

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	815	1,023	2,766	2,544	2,626
In the second year	1,023	2,766	2,110	1,131	1,164
In the third year	2,766	2,110	690	519	237
In the fourth year	2,110	690	232	65	65
In the fifth year	690	232	–	49	33
After five years	232	–	–	–	–
	<u>7,636</u>	<u>6,821</u>	<u>5,798</u>	<u>4,308</u>	<u>4,125</u>

34. FINANCIAL INSTRUMENTS

34.1 Financial instruments by categories

The Group

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Financial assets at amortized cost . .	67,473	199,768	369,606	1,729,602	1,679,564
Financial assets at FVTPL	<u>81,882</u>	<u>43,267</u>	<u>321,480</u>	<u>–</u>	<u>38,790</u>
Financial liabilities					
Financial liabilities at amortized cost	126,385	154,000	325,714	391,627	560,857
Financial liabilities at FVTPL	<u>213,198</u>	<u>763,883</u>	<u>2,343,474</u>	<u>4,650,950</u>	<u>4,931,565</u>

The Company

	As of December 31,				As of March 31,
	2018	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets					
Financial assets at amortized cost . .	<u>231</u>	<u>225</u>	<u>204</u>	<u>1,468,872</u>	<u>1,456,359</u>
Financial liabilities					
Financial liabilities at amortized cost	96	99	3,247	33,387	46,601
Financial liabilities at FVTPL	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,650,950</u>	<u>4,931,565</u>

APPENDIX I

ACCOUNTANTS’ REPORT

34.2 Financial risk management

The Group’s activities expose it to a variety of financial risks, such as market risk (including foreign exchange risk, interest rate risk and other price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. Risk management is carried out by the directors of the Company.

The Group’s major financial instruments include financial assets at FVTPL, trade and other receivables, cash and cash equivalents, amounts due from related parties, lease liabilities, trade and other payables, amounts due to related parties and financial liabilities at FVTPL. Details of the financial instruments are disclosed in respective notes. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) *Market risk*

Foreign exchange risk

The functional currency of the Group’s entities is RMB. Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of the Group’s entities. In addition, the Company has intra-group balances with a subsidiary denominated in foreign currency which also expose the Group to foreign currency risk.

During the three years ended December 31, 2020, exchange gains and losses from those foreign currency transactions denominated in a currency other than the functional currency were insignificant. The directors of the Company consider that any reasonable changes in foreign exchange rates of other currencies against the functional currency would not result in a significant change in the Group’s results, as the net carrying amounts of financial assets and liabilities denominated in a currency other than the respective subsidiaries’ functional currency were considered to be not significant. Accordingly, no sensitivity analysis is presented for foreign exchange risk.

The Group

As of December 31, 2021 and March 31, 2022, the Group had the following financial assets and financial liabilities, which were cash and cash equivalents, rental deposits, financial liabilities at FVTPL, lease liabilities, amounts due to related parties and other payables, denominated in currencies other than RMB.

	<u>As of December 31, 2021</u>	<u>As of March 31, 2022</u>
	RMB’000	RMB’000
Assets:		
– HKD	2,814	1,756
– USD	698,053	184,965
Liabilities:		
– HKD	3,770	4,049
– USD	4,655,552	4,938,308

The Company

As of December 31, 2021 and March 31, 2022, the Company had the following financial assets and financial liabilities, which were cash and cash equivalents, amounts due from related parties, financial liabilities at FVTPL, amounts due to related parties and other payables, denominated in currencies other than RMB.

	<u>As of December 31, 2021</u>	<u>As of March 31, 2022</u>
	RMB’000	RMB’000
Assets:		
– HKD	1,625	1,016
– USD	1,465,779	1,453,530
Liabilities:		
– HKD	93	666
– USD	4,655,552	4,938,308

APPENDIX I

ACCOUNTANTS’ REPORT

Sensitivity analysis

The Group

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusted their transaction at year end for a 5% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, rental deposits, financial liabilities at FVTPL, lease liabilities, amounts due to related parties and other payables. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign currency rates.

If 5% weakening/strengthening of USD and HKD against RMB, the Group’s post-tax loss for the year ended December 31, 2021 and three months ended March 31, 2022 would decrease/increase by RMB197,923,000 and RMB237,782,000, respectively. This is mainly attributable to the Group’s exposure to foreign currencies rates of USD on its financial liabilities at FVTPL as of December 31, 2021 and March 31, 2022.

The Company

The sensitivity analysis below has been determined based on the exposure to foreign currency rates and includes only outstanding foreign currency denominated monetary items and adjusted their transaction at year end for a 5% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, amounts due from related parties, financial liabilities at FVTPL, amounts due to related parties and other payables. A 5% increase or decrease is used when reporting foreign currency rate risk internally to key management personnel and represents management’s assessment of the reasonably possible change in foreign currency rates.

If 5% weakening/strengthening of USD and HKD against RMB, the Company’s post-tax loss for the year ended December 31, 2021 and three months ended March 31, 2022 would decrease/increase by RMB159,412,000 and RMB174,221,000, respectively. This is mainly attributable to the Company’s exposure to foreign currencies rates of USD on its financial liabilities at FVTPL as of December 31, 2021 and March 31, 2022.

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed rate instruments expose the Group to fair value interest risk. The Group’s cash flow interest rate risk primarily arose from cash and cash equivalents, details of which have been disclosed in Note 23. The Group’s fair value interest risk primarily arises from lease liabilities, details of which have been disclosed in Note 20.

No sensitivity analysis on interest rate risk on bank balance is presented as management consider the sensitivity on interest rate risk on bank balance is insignificant.

Other price risk

The Group is exposed to price risk in respect of its financial products issued by banks measured as financial assets at FVTPL and shares with preferred rights/Preferred Shares measured as financial liabilities at FVTPL. The above financial instruments are exposed to price risk because of changes in market prices, where changes are caused by factors specific to the individual financial instruments or their issuers, or factors affecting all similar financial instruments traded in the market.

Shares with preferred rights/Preferred Shares are affected by changes in the Group’s equity value, the sensitivity analysis of which has been disclosed in Note 34.4. The fair value change of financial products issued by banks is not considered to be significant.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Credit risk and impairment assessment

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group’s credit risk is mainly associated with cash and cash equivalents, trade and other receivables, financial assets at FVTPL and amounts due from related parties. The carrying amounts of each class of the above financial assets represent the Group’s maximum exposure to credit risk in relation to financial assets.

The Group’s cash and cash equivalents are mainly deposited in state-owned or reputable financial institutions in Mainland China and reputable international financial institutions outside of Mainland China. There has been no recent history of default in relation to these financial institutions. The Group considers the instruments have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are insignificant during the Track Record Period. The Group considers that there is no significant credit risk and no material losses due to the default of the other parties.

The Group’s maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position.

The Group also has concentration of credit risk on trade receivables. As of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, nil, nil, 14.03%, 20.01% and 10.58% of the total trade receivables were due from the Group’s largest customer, and 28.34%, 34.64%, 20.87%, 40.19% and 23.72% of the total trade receivables were due from the Group’s top five customers, respectively.

In order to minimize credit risk, the Group has tasked its credit management team to develop and maintain the credit risk grading for the Group’s trade receivables and other receivables and to categorize exposures according to their degree of risk of default. The credit management team uses publicly available financial information and the Group’s own trading records to rate its major customers and other debtors. The Group’s exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The table below set forth how the Group defines the credit risk grading of its counterparties and its accounting policies for recognition of ECL:

Category	Group definition of category	Basis for recognition of ECL	
	Trade receivables, amounts due from related parties of trade nature and other receivables	Trade receivables and amounts due from related parties of trade nature	Other receivables
Performing	The counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	N/A	Lifetime ECL – not credit-impaired
In default	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Asset is written off	Asset is written off

APPENDIX I

ACCOUNTANTS’ REPORT

The tables below detail the credit risk exposures of the Group’s financial assets, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12m or Lifetime ECL	Gross carrying amount				
					as of December 31,				As of March 31,
					2018	2019	2020	2021	2022
					RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Financial assets at amortized cost									
Cash and cash equivalents	23	N/A	Performing	12m ECL	46,242	144,691	260,574	1,552,994	1,498,232
Trade receivables	22	N/A	(Note)	Lifetime ECL	11,849	23,573	51,480	91,351	90,056
Other receivables	22	N/A	Performing	12m ECL	7,537	26,595	50,968	77,152	83,721
Amounts due from related parties of trade nature	*	N/A	(Note)	Lifetime ECL	-	-	18	319	308
Amounts due from related parties of non-trade nature	36	N/A	Performing	12m ECL	-	-	16	-	-
Rental deposits	22	N/A	Performing	12m ECL	2,059	5,344	8,431	9,932	10,509

* Prepayments to related parties included in the total balance of amounts due from related parties of trade nature, amounting to RMB1,148,000, RMB814,000, RMB275,000, RMB767,000 and RMB892,000 as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022, respectively, are not subject to ECL assessment.

Note: The directors of the Company estimates the amount of lifetime ECL of trade receivables and amounts due from related parties of trade nature based on provision matrix through grouping of various debtors that have similar loss patterns, after considering aging, internal credit ratings of trade debtors, repayment history and/or past due status of respective trade receivables and amounts due from related parties of trade nature. Estimated loss rates are based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. In addition, trade receivables and amounts due from related parties of trade nature with significant balances or credit-impaired are assessed for ECL individually.

On that basis, the loss allowance as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022 was determined as follows for trade receivables and amounts due from related parties of trade nature which were assessed on a collective basis by using provision matrix within lifetime ECL (not credit impaired). Credit-impaired with gross carrying amounts of RMB831,000 and RMB653,000 as of December 31, 2020 and March 31, 2022 were assessed individually.

As of December 31, 2018

Provision on collective basis	Within 1 year	1 to 2 years	2-3 years	Over 3 years	Total
Lifetime expected credit loss rate	0.53%	35.21%	73.68%	-	0.85%
Gross carrying amount (RMB’000)	11,759	71	19	-	11,849
Loss allowance (RMB’000)	(62)	(25)	(14)	-	(101)

As of December 31, 2019

Provision on collective basis	Within 1 year	1 to 2 years	2-3 years	Over 3 years	Total
Lifetime expected credit loss rate	0.79%	35.29%	74.36%	-	0.94%
Gross carrying amount (RMB’000)	23,517	17	39	-	23,573
Loss allowance (RMB’000)	(186)	(6)	(29)	-	(221)

As of December 31, 2020

Provision on collective basis	Within 1 year	1 to 2 years	2-3 years	Over 3 years	Total
Lifetime expected credit loss rate	1.10%	49.71%	81.25%	100.00%	2.04%
Gross carrying amount (RMB’000)	50,096	171	16	384	50,667
Loss allowance (RMB’000)	(551)	(85)	(13)	(384)	(1,033)

APPENDIX I

ACCOUNTANTS’ REPORT

As of December 31, 2021

<u>Provision on collective basis</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2-3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Lifetime expected credit loss rate	0.34%	11.11%	–	–	0.37%
Gross carrying amount (RMB’000)	91,418	252	–	–	91,670
Loss allowance (RMB’000)	(315)	(28)	–	–	(343)

As of March 31, 2022

<u>Provision on collective basis</u>	<u>Within 1 year</u>	<u>1 to 2 years</u>	<u>2-3 years</u>	<u>Over 3 years</u>	<u>Total</u>
Lifetime expected credit loss rate	0.31%	28.60%	63.68%	–	0.64%
Gross carrying amount (RMB’000)	88,957	542	212	–	89,711
Loss allowance (RMB’000)	(280)	(155)	(135)	–	(570)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and amounts due from related parties of trade nature under the simplified approach.

	<u>Lifetime ECL (not credit-impaired)</u>	<u>Lifetime ECL (credit-impaired)</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
As of January 1, 2018	–	–	–
Impairment losses recognized	101	–	101
As of December 31, 2018	101	–	101
Impairment losses reversed	(101)	–	(101)
Impairment losses recognized	221	–	221
As of December 31, 2019	221	–	221
Impairment losses reversed	(215)	–	(215)
Transfer to credit-impaired	(6)	6	–
Impairment losses recognized	1,033	825	1,858
As of December 31, 2020	1,033	831	1,864
Impairment losses reversed	(1,033)	(831)	(1,864)
Impairment losses recognized	343	–	343
As of December 31, 2021	343	–	343
Impairment losses reversed	(343)	–	(343)
Impairment losses recognized	570	653	1,223
As of March 31, 2022	570	653	1,223

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	<u>12-month ECL</u>	<u>Lifetime ECL (not credit-impaired)</u>	<u>Lifetime ECL (credit-impaired)</u>	<u>Total</u>
	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>	<u>RMB’000</u>
As of January 1, 2018	–	–	–	–
Impairment losses recognized	113	–	–	113
As of December 31, 2018	113	–	–	113
Impairment losses reversed	(113)	–	–	(113)
Impairment losses recognized	214	–	–	214
As of December 31, 2019	214	–	–	214
Impairment losses recognized	1,724	–	–	1,724
Impairment losses reversed	(214)	–	–	(214)
Transfer to lifetime ECL	(1,707)	–	1,707	–
Written-off	–	–	(1,707)	(1,707)
As of December 31, 2020	17	–	–	17
Impairment losses recognized	1,803	–	–	1,803
Impairment losses reversed	(17)	–	–	(17)
As of December 31, 2021	1,803	–	–	1,803
Impairment losses reversed	(1,803)	–	–	(1,803)
Impairment losses recognized	2,039	–	–	2,039
As of March 31, 2022	2,039	–	–	2,039

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, on which the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

The Company is mainly exposed to the credit risk of amounts due from subsidiaries. The directors of the Company considers the credit risk of the amounts due from subsidiaries is limited because they continuously monitor the quality and financial conditions of the subsidiaries and the identified credit loss were insignificant during the Track Record Period.

(c) Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group’s operations and mitigate the effects of fluctuations in cash flows.

The following table details remaining contractual maturity of the Group and the Company’s financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities on the earliest date which the Group can be required to pay. The maturity dates are based on the agreed repayment dates.

The table includes both interest and principal cash flows.

The Group

	Weighted average interest rate	Carrying amount	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As of December 31, 2018							
Trade and other payables	–	120,689	120,689	–	–	–	120,689
Amounts due to related parties	–	5,696	5,696	–	–	–	5,696
Financial liabilities at FVTPL	8%	213,198	108,667	–	–	157,140	265,807
Lease liabilities	4.52%-7.26%	63,146	21,253	18,433	28,672	2,301	70,659
		<u>402,729</u>	<u>256,305</u>	<u>18,433</u>	<u>28,672</u>	<u>159,441</u>	<u>462,851</u>
As of December 31, 2019							
Trade and other payables	–	139,767	139,767	–	–	–	139,767
Amounts due to related parties	–	14,233	14,233	–	–	–	14,233
Financial liabilities at FVTPL	8%	763,883	–	–	866,238	–	866,238
Lease liabilities	4.01%-5.31%	118,977	45,582	38,348	46,659	3,100	133,689
		<u>1,036,860</u>	<u>199,582</u>	<u>38,348</u>	<u>912,897</u>	<u>3,100</u>	<u>1,153,927</u>
As of December 31, 2020							
Trade and other payables	–	280,146	280,146	–	–	–	280,146
Amounts due to related parties	–	45,568	45,568	–	–	–	45,568
Financial liabilities at FVTPL	8%	2,343,474	–	–	1,933,359	–	1,933,359
Lease liabilities	4.38%-6.39%	141,253	62,608	45,047	48,184	2,053	157,892
		<u>2,810,441</u>	<u>388,322</u>	<u>45,047</u>	<u>1,981,543</u>	<u>2,053</u>	<u>2,416,965</u>
As of December 31, 2021							
Trade and other payables	–	369,115	369,115	–	–	–	369,115
Amounts due to related parties	–	22,512	22,512	–	–	–	22,512
Financial liabilities at FVTPL	8%	4,650,950	–	–	3,545,961	–	3,545,961
Lease liabilities	3.83%-6.39%	157,012	67,633	51,620	47,570	3,450	170,273
		<u>5,199,589</u>	<u>459,260</u>	<u>51,620</u>	<u>3,593,531</u>	<u>3,450</u>	<u>4,107,861</u>
As of March 31, 2022							
Trade and other payables	–	487,923	487,923	–	–	–	487,923
Amounts due to related parties	–	72,934	72,934	–	–	–	72,934
Financial liabilities at FVTPL	8%	4,931,565	–	3,501,776	–	–	3,501,776
Lease liabilities	3.81%-6.39%	153,872	68,784	52,349	41,913	3,152	166,198
		<u>5,646,294</u>	<u>629,641</u>	<u>3,554,125</u>	<u>41,913</u>	<u>3,152</u>	<u>4,228,831</u>

The Company

	Weighted average interest rate	Carrying amount	On demand or less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
As of December 31, 2021							
Trade and other payable	–	6,905	6,905	–	–	–	6,905
Amounts due to related parties	–	26,482	26,482	–	–	–	26,482
Financial liabilities at FVTPL	8%	4,650,950	–	–	3,545,961	–	3,545,961
		<u>4,684,337</u>	<u>33,387</u>	<u>–</u>	<u>3,545,961</u>	<u>–</u>	<u>3,579,348</u>
As of March 31, 2022							
Trade and other payable	–	13,133	13,133	–	–	–	13,133
Amounts due to related parties	–	33,468	33,468	–	–	–	33,468
Financial liabilities at FVTPL	8%	4,931,565	–	3,501,776	–	–	3,501,776
		<u>4,978,166</u>	<u>46,601</u>	<u>3,501,776</u>	<u>–</u>	<u>–</u>	<u>3,548,377</u>

APPENDIX I

ACCOUNTANTS’ REPORT

34.3 Capital risk management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders’ value in the long-term.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the payment of dividends, new shares issues as well as raising of borrowings.

34.4 Fair value measurement of financial instruments

Determination of fair value and fair value hierarchy

IFRS 13 *Fair Value Measurement* defines fair value as 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. When determining the fair value measurement for assets and liabilities required or permitted to be recorded at fair value, the Group considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability.

Accounting guidance establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument’s categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Accounting guidance establishes three levels of inputs that may be used to measure fair value.

The level of fair value calculation is determined by the lowest level input that is significant in the overall calculation. As such, the significance of the input should be considered from an overall perspective in the calculation of fair value.

For Level 2 financial instruments, valuations are generally obtained from third party pricing services for identical or comparable assets, or through the use of valuation methodologies using observable market inputs, or recent quoted market prices. Valuation service providers typically gather, analyze and interpret information related to market transactions and other key valuation model inputs from multiple sources, and through the use of widely accepted internal valuation models, provide a theoretical quote on various securities.

For Level 3 financial instruments, prices are determined using valuation methodologies such as discounted cash flow models and other similar techniques. Determinations to classify fair value measurement within Level 3 of the valuation hierarchy are generally based on the significance of the unobservable factors to the overall fair value measurement.

The following tables provide the fair value measurement hierarchy of the Group’s financial assets and liabilities:

The Group

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	RMB’000	RMB’000	RMB’000	RMB’000
As of December 31, 2018				
Assets:				
Financial assets at FVTPL	–	–	81,882	81,882
Liabilities:				
Financial liabilities at FVTPL	–	–	213,198	213,198
As of December 31, 2019				
Assets:				
Financial assets at FVTPL	–	–	43,267	43,267
Liabilities:				
Financial liabilities at FVTPL	–	–	763,883	763,883
As of December 31, 2020				
Assets:				
Financial assets at FVTPL	–	303,710	17,770	321,480
Liabilities:				
Financial liabilities at FVTPL	–	–	2,343,474	2,343,474
As of December 31, 2021				
Liabilities:				
Financial liabilities at FVTPL	–	–	4,650,950	4,650,950
As of March 31, 2022				
Assets:				
Financial assets at FVTPL	–	30,000	8,790	38,790
Liabilities:				
Financial liabilities at FVTPL	–	–	4,931,565	4,931,565

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

	Level 1	Level 2	Level 3	Total
	RMB’000	RMB’000	RMB’000	RMB’000
As of December 31, 2021				
Liabilities:				
Financial liabilities at FVTPL	–	–	4,650,950	4,650,950
As of March 31, 2022				
Liabilities:				
Financial liabilities at FVTPL	–	–	4,931,565	4,931,565

The following table gives information about how the fair values of the Group’s financial assets are determined (in particular, the valuation techniques and inputs used). The determination of the fair value for shares with preferred rights/Preferred Shares is set out in Note 25.

Financial assets	Fair value as of December 31,				Fair value as of March 31,	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2018	2019	2020	2021	2022				
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000				
Financial products issued by banks	–	–	303,710	–	30,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
Financial products issued by banks	81,882	43,267	17,770	–	8,790	Level 3	Discounted cash flow. Future cash flows are estimated based on estimated return.	Estimated return	The higher the estimated return, the higher the fair value, vice versa

During the Track Record Period, the changes in the unobservable input of the financial assets classified within Level 3 as listed in the table above resulted in the following changes in the Group’s results:

A 5% decrease/increase in the estimated return rates holding all other variables constant would decrease/increase the carrying amount of financial products issued by banks by RMB4,094,000, RMB2,163,000, RMB889,000, nil and RMB440,000 as of December 31, 2018, 2019, 2020 and 2021 and March 31, 2022.

Financial liabilities at FVTPL of shares with preferred rights/Preferred Shares are not traded in an active market, its fair values have been determined by using the income approach. Major assumptions used in the valuation for the shares with preferred rights/Preferred Shares are presented in Note 25.

Fair value of the shares with preferred rights/Preferred Shares is affected by changes in the Company’s equity value. If the Company’s equity value had increased/decreased by 5% with all other variables held constant, the loss before income tax for the years ended December 31, 2018, 2019, 2020 and 2021 and three months ended March 31, 2022 would have been approximately RMB5,077,000, RMB17,958,000, RMB72,656,000, RMB113,331,000 and RMB 13,754,000 higher/lower, respectively.

For assets and liabilities that are measured at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at each reporting end. During the Track Record Period, there were no transfers among different levels of fair values measurement.

APPENDIX I

ACCOUNTANTS’ REPORT

Reconciliation of Level 3 fair value measurements:

The Group

	Financial products issued by banks	Shares with preferred rights/ Preferred Shares
	RMB’000	RMB’000
As of January 1, 2018	144,970	179,578
Purchase	692,179	–
Acquired from acquisitions (Note 31)	8,432	–
Redemption	(766,523)	–
Changes in fair value	2,824	33,620
As of December 31, 2018	81,882	213,198
Issue of shares with preferred rights	–	400,000
Purchase	1,686,673	–
Acquired from acquisitions (Note 31)	5,579	–
Redemption	(1,733,456)	–
Changes in fair value	2,589	150,685
As of December 31, 2019	43,267	763,883
Issue of shares with preferred rights	–	825,000
Purchase	2,314,103	–
Acquired from acquisitions (Note 31)	2,225	–
Redemption	(2,345,240)	–
Changes in fair value	3,415	754,591
As of December 31, 2020	17,770	2,343,474
Issue of Preferred Shares	–	4,476,585
Redemption of shares with preferred rights	–	(3,081,310)
Purchase	3,309,100	–
Redemption	(3,334,123)	–
Changes in fair value (Note)	7,253	912,201
As of December 31, 2021	–	4,650,950
Purchase	1,444,720	–
Redemption	(1,437,871)	–
Changes in fair value (Note)	1,941	280,615
As of March 31, 2022	8,790	4,931,565

The Company

	Preferred Shares
	RMB’000
As of January 1, 2021	–
Issue of Preferred Shares	4,476,585
Changes in fair value (Note)	174,365
As of December 31, 2021	4,650,950
Changes in fair value (Note)	280,615
As of March 31, 2022	4,931,565

Note: Change in fair value presented in RMB includes effect of exchange on translation from USD balances.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

For the financial assets and financial liabilities that are not measured at fair value on a recurring basis, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

APPENDIX I

ACCOUNTANTS’ REPORT

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Financial liabilities at FVTPL	Lease liabilities	Dividends payable	Amounts due to related parties	Accrued [REDACTED]*	Other borrowing	Total
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Liabilities from financing activities as of January 1, 2018	179,578	5,388	–	–	–	–	184,966
Financing cash flows	–	(21,894)	–	217	–	–	(21,677)
Additions	–	19,486	–	–	–	–	19,486
Finance costs (Note 9)	–	3,797	–	–	–	–	3,797
Fair value losses on financial liabilities at FVTPL	33,620	–	–	–	–	–	33,620
Acquisition of subsidiaries (Note 31)	–	56,369	–	–	–	–	56,369
Liabilities from financing activities as of December 31, 2018	213,198	63,146	–	217	–	–	276,561
Financing cash flows	400,000	(41,505)	(4,778)	52	–	–	353,769
Additions	–	68,411	–	–	–	–	68,411
Finance costs (Note 9)	–	5,571	–	–	–	–	5,571
Fair value losses on financial liabilities at FVTPL	150,685	–	–	–	–	–	150,685
Dividends declared	–	–	4,778	–	–	–	4,778
Acquisition of subsidiaries (Note 31)	–	23,354	–	–	–	–	23,354
Liabilities from financing activities as of December 31, 2019	763,883	118,977	–	269	–	–	883,129
Financing cash flows	825,000	(52,911)	(6,330)	28,725	(64)	–	794,420
Additions	–	51,936	–	–	738	–	52,674
Finance costs (Note 9)	–	6,061	–	–	–	–	6,061
Fair value losses on financial liabilities at FVTPL	754,591	–	–	–	–	–	754,591
Dividends declared	–	–	7,585	–	–	–	7,585
Acquisition of subsidiaries (Note 31)	–	17,732	–	–	–	–	17,732
Disposal of subsidiaries (Note 32)	–	(542)	–	–	–	–	(542)
Liabilities from financing activities as of December 31, 2020	2,343,474	141,253	1,255	28,994	674	–	2,515,650
Financing cash flows	1,395,275	(82,814)	(1,255)	(28,760)	(4,052)	(7,969)	1,270,425
Additions	–	92,380	–	–	5,132	–	97,512
Finance costs (Note 9)	–	7,607	–	–	–	10,169	17,776
Exchange adjustment	–	–	–	–	–	(2,200)	(2,200)
Fair value losses on financial liabilities at FVTPL	912,201	–	–	–	–	–	912,201
Early termination of a lease	–	(501)	–	–	–	–	(501)
Dividends declared	–	–	10,102	–	–	–	10,102
Disposal of subsidiaries (Note 32)	–	(913)	–	–	–	–	(913)
Liabilities from financing activities as of December 31, 2021	4,650,950	157,012	10,102	234	1,754	–	4,820,052
Financing cash flows	–	(19,813)	–	(2)	(1,064)	–	(20,879)
Additions	–	15,573	–	–	1,913	–	17,486
Finance costs (Note 9)	–	1,952	–	–	–	–	1,952
Fair value losses on financial liabilities at FVTPL	280,615	–	–	–	–	–	280,615
Early termination of a lease	–	(852)	–	–	–	–	(852)
Liabilities from financing activities as of March 31, 2022	4,931,565	153,872	10,102	232	2,603	–	5,098,374

* The accrued [REDACTED] are included in accrued [REDACTED] and [REDACTED] as set out in Note 24.

APPENDIX I

ACCOUNTANTS’ REPORT

	Financial liabilities at FVTPL	Lease liabilities	Dividends payable	Amounts due to related parties	Accrued [REDACTED]*	Other borrowing	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)							
Liabilities from financing activities as of							
January 1, 2021	2,343,474	141,253	1,255	28,994	674	–	2,515,650
Financing cash flows	–	(22,182)	(1,171)	(27,131)	(577)	–	(51,061)
Additions	–	14,401	–	–	2,200	–	16,601
Finance costs (Note 9)	–	2,040	–	–	–	–	2,040
Fair value losses on financial liabilities at FVTPL	669,357	–	–	–	–	–	669,357
Dividends declared	–	–	10,102	–	–	–	10,102
Liabilities from financing activities as of							
March 31, 2021	<u>3,012,831</u>	<u>135,512</u>	<u>10,186</u>	<u>1,863</u>	<u>2,297</u>	<u>–</u>	<u>3,162,689</u>

36. RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the Track Record Period.

Name of related parties	Relationship
Mr. Yang Wenlong	The Controlling Shareholder
Mr. Yang Yibin	The sons of Controlling Shareholder
Mr. Yang Xiao	
Renhe (Group)	Related companies controlled by the Controlling Shareholder
Renhe (Shenzhen) Dajiankang Intelligent Technology Co., Ltd.* (仁和(深圳)大健康智能科技有限公司)	
Shenzhen Sanpu Natural Cosmetics Co., Ltd.* (深圳市三浦天然化妝品有限公司) (Note ii)	
Shenzhen Shanliang Marketing Co., Ltd.* (深圳市閃亮營銷策劃有限公司)	
Shenzhen Yaodu Bencao Biotechnology Co., Ltd.* (深圳市藥都本草生物科技股份有限公司) (Note i)	
Zhuhai Hengqin Renhe Health Culture Development Co., Ltd.* (珠海橫琴仁和養生文化發展有限公司)	
Hainan Sanpu Biotechnology Co., Ltd.* (海南三浦生物科技股份有限公司) (Note ii)	
Jiangxi Sanpu Medical Instrument Co., Ltd.* (江西三浦醫療器械有限公司) (Note ii)	
Jiangxi Yaodu Renhe Technology Co., Ltd.* (江西藥都仁和科技有限公司)	
Zhangshu Mingjia Intellectual Property Consulting Co., Ltd.* (樟樹市銘嘉知識產權諮詢服務有限公司)	
Ding Dang Kuai Yi (Beijing) Technology Co., Ltd.* (叮嚀快醫(北京)科技有限公司)	Related companies controlled by the sons of the Controlling Shareholder
Ding Dang Hao Li (Beijing) Technology Co., Ltd.* (叮嚀好禮(北京)科技有限公司)	
Renhe Pharmacy Co., Ltd. and its subsidiaries	Related company significantly influenced by the Controlling Shareholder
Hongji (Zhuhai) Enterprise Chain Management Center LP* (宏濟(珠海)企業連鎖管理中心(有限合夥))	Non-controlling shareholder with significant influence

Note i: Shenzhen Yaodu Bencao Biotechnology Co., Ltd. was no longer a related party since April 2021 as it was disposed to an independent third party.

Note ii: Shenzhen Sanpu Natural Cosmetics Co., Ltd., Hainan Sanpu Biotechnology Co., Ltd. and Jiangxi Sanpu Medical Instrument Co., Ltd. were acquired by Renhe Pharmacy Co., Ltd. since August 2021.

* English names are for identification purpose only.

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Transactions with related parties

Other than as disclosed elsewhere in these consolidated financial statements, the Group has following transactions and balances with related parties:

Name of related parties	Nature of balances/ transactions	Year ended December 31,				Three months ended March 31,	
		2018	2019	2020	2021	2021	2022
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Renhe Pharmacy Co., Ltd. and its subsidiaries	Product sales	7	38	288	126	1	–
	Purchase of goods	–	3,410	61,974	218,136	32,001	67,000
	Brand usage fee	–	–	3,534	4,497	552	596
Renhe (Group)	Product sales	–	–	38	5	–	3
	Brand usage fee	3,146	7,188	8,954	5,178	2,490	418
Shenzhen Sanpu Natural Cosmetics Co., Ltd.	Product sales	–	–	23	–	–	–
	Purchase of goods	20,162	56,051	65,323	31,291	10,461	–
Ding Dang Hao Li (Beijing) Technology Co., Ltd.	Product sales	–	14	–	–	–	–
	Purchase of goods	11,718	5,540	10	–	–	–
Shenzhen Yaodu Bencao Biotechnology Co., Ltd.	Purchase of goods	286	2,311	2,833	1,433	1,434	–
Hainan Sanpu Biotechnology Co., Ltd.	Purchase of goods	–	–	14,063	3,407	1,574	–
Jiangxi Sanpu Medical Instrument Co., Ltd.	Purchase of goods	–	–	–	5,253	–	–
Other related parties	Product sales	–	–	18	14	–	–
	Purchase of goods	–	106	35	7	–	–

In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(c) Balances with related parties:

Amounts due from related parties

The Group

Name of related parties	Nature of balances/ transactions	As of December 31,				As of March 31,
		2018	2019	2020	2021	2022
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Renhe Pharmacy Co., Ltd. and its subsidiaries	Trade	71	–	7	1,086	1,192
	Non-trade (note i)	–	–	16	–	–
Renhe (Group)	Trade	–	–	–	–	3
Shenzhen Sanpu Natural Cosmetics Co., Ltd.	Trade	1,009	395	268	–	–
Other related parties	Trade	68	419	18	–	5
Total		<u>1,148</u>	<u>814</u>	<u>309</u>	<u>1,086</u>	<u>1,200</u>

The Company

Name of related parties	Nature of balances/ transactions	As of December 31,				As of March 31,
		2018	2019	2020	2021	2022
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Dingdang Health Technology Group (HK) Limited	Non-trade (note ii)	–	–	–	1,279,463	1,270,571
Dingdang Health Limited	Non-trade (note iii)	–	–	–	16	16
Total		<u>–</u>	<u>–</u>	<u>–</u>	<u>1,279,479</u>	<u>1,270,587</u>

APPENDIX I

ACCOUNTANTS’ REPORT

Notes:

- i. The maximum amounts outstanding during the two year ended December 31, 2021 from related companies significantly influenced by the Controlling Shareholder were considered to be insignificant. These amounts were non-trade nature, unsecured, interest free and repayable on demand.
- ii. The maximum amounts outstanding during the year ended December 31, 2021 and three months ended March 31, 2022 from Dingdang Health Technology Group (HK) Limited were RMB1,279,463,000 and RMB1,280,823,000. These amounts were non-trade nature, unsecured, interest free and repayable on demand.
- iii. The maximum amounts outstanding during the year ended December 31, 2021 and three months ended March 31, 2022 from Dingdang Health Limited were considered to be insignificant. These amounts were non-trade nature, unsecured, interest free and repayable on demand.

Amounts due to related parties

The Group

Name of related parties	Nature of balances/ transactions	As of December 31,				As of March 31,
		2018	2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Renhe Pharmacy Co., Ltd. and its subsidiaries	Trade (note iii)	7	425	2,802	20,047	70,199
	Non-trade (note i/ii)	–	14	6	2	10
Renhe (Group)	Non-trade (note i/ii)	–	–	–	2,145	2,409
Ding Dang Hao Li (Beijing) Technology Co., Ltd.	Trade (note iii)	2,936	985	–	–	–
	Non-trade (note i/ii)	9	52	–	–	–
Shenzhen Sanpu Natural Cosmetics Co., Ltd.	Trade (note iii)	2,433	12,196	464	–	–
Hainan Sanpu Biotechnology Co., Ltd.	Trade (note iii)	–	–	12,226	–	–
Shenzhen Yaodu Bencao Biotechnology Co., Ltd.	Trade (note iii)	103	236	979	–	–
Hongji (Zhuhai) Enterprise Chain Management Center LP	Loans (note i)	–	–	28,380	–	–
Other related parties	Trade (note iii)	–	122	103	90	90
	Loans (note i)	208	198	603	228	226
	Non-trade (note i/ii)	–	5	5	–	–
Total		<u>5,696</u>	<u>14,233</u>	<u>45,568</u>	<u>22,512</u>	<u>72,934</u>

Notes:

- i. The amount is unsecured, interest free and repayable on demand. In the opinion of the directors, the amounts due to related parties of non-trade nature will be settled before the completion of [REDACTED], except for those payables arising from the normal course of business which will be typically settled periodically.
- ii. The amount primarily included brand usage fee payables, which was recognized as amounts due to related parties of non-trade nature.
- iii. The amounts due to related parties of trade nature were resulting from purchase of goods.

APPENDIX I

ACCOUNTANTS’ REPORT

The Company

Name of related parties	Nature of balances/ transactions	As of December 31,				As of March 31,
		2018	2019	2020	2021	2022
		RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Dingdang Health Technology Group (HK) Limited	Non-trade	–	–	–	5,633	6,217
Dingdang Medicine Express Technology	Non-trade	–	–	3,155	20,759	27,162
The Controlling Shareholder	Non-trade	96	99	92	90	89
Total		<u>96</u>	<u>99</u>	<u>3,247</u>	<u>26,482</u>	<u>33,468</u>

The amount is unsecured, interest free and repayable on demand.

(d) Key management personnel compensation

The remuneration of directors and other key management personnel is as follows:

	Year ended December 31,				Three months ended March 31,	
	2018	2019	2020	2021	2021	2022
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000 (unaudited)	RMB’000
Salaries and bonuses	840	1,474	3,651	6,988	1,022	1,411
Share-based payments	–	–	2,706	239,691	478	68,525
Welfare, medical and other benefits	159	174	138	259	45	75
	<u>999</u>	<u>1,648</u>	<u>6,495</u>	<u>246,938</u>	<u>1,545</u>	<u>70,011</u>

37. RETIREMENT BENEFITS SCHEMES

The employees of the Group in mainland China are members of a state-managed retirement benefit scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authorities to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Group in respect of such retirement benefit schemes are disclosed in Note 6.

APPENDIX I

ACCOUNTANTS’ REPORT

38. PARTICULARS OF PRINCIPAL SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

38.1 General information of principal subsidiaries and consolidated affiliated entities

The Group

Details of the principal subsidiaries directly and indirectly held by the Company are set out below:

Name of subsidiaries/consolidated affiliated entities	Place of incorporation/ registration/ operations	Paid up issued/ registered capital	Proportion ownership interest attributable by the Company				As of the date of this report	Principal activities
			December 31,		March 31,			
			2018	2019	2020	2021		
		RMB						
Dingdang Medicine Express Technology	Mainland China	RMB52,941,000	100%	100%	100%	100%	[100%] Online retail of pharmaceutical and healthcare products	
Jiangxi Dingdang E-Commerce	Mainland China	RMB27,000,000	100%	100%	100%	100%	[100%] Investment holding	
Beijing Smart Pharmacy	Mainland China	RMB10,000,000	100%	100%	100%	100%	[100%] Online and offline retail of pharmaceutical and healthcare products	
Shanghai Smart Pharmacy	Mainland China	RMB10,000,000/ RMB11,111,000	100%	100%	100%	100%	[100%] Online and offline retail of pharmaceutical and healthcare products	
Guangdong Smart Pharmacy	Mainland China	RMB5,000,000	–	100%	100%	100%	[100%] Online and offline retail of pharmaceutical and healthcare products	
Guangzhou Smart Pharmacy	Mainland China	RMB15,000,000	–	100%	100%	100%	[100%] Online and offline retail of pharmaceutical and healthcare products	
Tianjin Smart Pharmacy	Mainland China	RMB4,250,000/ RMB5,000,000	–	85%	85%	85%	[85%] Online and offline retail of pharmaceutical and healthcare products	
Chengdu Smart Pharmacy	Mainland China	RMB2,000,000	–	100%	100%	100%	[100%] Online and offline retail of pharmaceutical and healthcare products	
Dingdang Smart Pharmacy (Wuhan) Co., Ltd.* (叮噶智慧藥房(武漢)有限公司)	Mainland China	RMB8,500,000/ RMB10,000,000	N/A	85%	85%	85%	[85%] Online and offline retail of pharmaceutical and healthcare products	
Dingdang Smart Pharmacy (Nanjing) Co., Ltd.* (叮噶智慧藥房(南京)有限公司)	Mainland China	RMB8,500,000/ RMB10,000,000	N/A	85%	85%	85%	[85%] Online and offline retail of pharmaceutical and healthcare products	
Hangzhou Smart Pharmacy	Mainland China	RMB6,220,000/ RMB10,000,000	–	85%	85%	85%	[85%] Online and offline retail of pharmaceutical and healthcare products	
Jiangxi Renhetang	Mainland China	RMB5,000,000	85%	85%	85%	85%	[85%] E-commerce operating company of pharmaceutical and healthcare products	
Jiangxi Zhongda	Mainland China	RMB3,600,000	100%	100%	100%	100%	[100%] E-commerce operating company of pharmaceutical and healthcare products	

APPENDIX I

ACCOUNTANTS’ REPORT

The above table lists the subsidiaries and consolidated affiliated entities of the Company that the directors of the Company believe to principally affect the results or assets of the Group. In the opinion of the directors of the Company, to give details of other subsidiaries would, result in particulars of excessive length.

The voting power of the subsidiaries and consolidated affiliated entities held by the Company are same with the ownership interest held by the Company.

The statutory financial statements of Dingdang Medicine Express Technology for each of the three years ended December 31, 2018, 2019 and 2020, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC and were audited by Beijing Dongshen Dingli International Certified Public Accountants, Co., Ltd.* (北京東審鼎立國際會計師事務所有限責任公司), certified public accountants registered in the PRC.

The statutory financial statements of Jiangxi Renhetang were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC. For each of the two years ended December 31, 2018 and 2019, the statutory financial statements were audited by Jiangxi Guochen Certified Public Accountants, Co., Ltd.* (江西國辰會計師事務所有限責任公司), certified public accountants registered in the PRC. For the year ended December 31, 2020, the statutory financial statements were audited by Beijing Kaiyaguojia Certified Public Accountants LLP.* (北京凱亞國嘉會計師事務所(普通合夥)), certified public accountants registered in the PRC.

The statutory financial statements of Renhe Yaofangwang for each of the two years ended December 31, 2018 and 2019, were prepared in accordance with the Accounting Standards for Business Enterprises and Financial Regulations Applicable in the PRC and were audited by Dahua Certified Public Accountants LLP Jiangxi Branch* (大華會計師事務所(特殊普通合夥)江西分所) and Beijing Xingshen Certified Public Accountants Co., Ltd.* (北京興審會計師事務所有限公司), respectively, certified public accountants registered in the PRC. No audited statutory financial statements were available for the year ended December 31, 2020 as there was no requirement to issue audited accounts by the local authorities.

The statutory financial statements of Dingdang Health Technology Group (HK) Limited were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities. For the year ended March 31, 2021, the statutory financial statements were audited by Wiser CPA Limited (聚賢會計師有限公司), certified public accountants registered in the Hong Kong. No audited statutory financial statements were available for other years as there was no requirement to issue audited accounts by the local authorities.

No audited statutory financial statements were available for the rest of the companies of the Group during the Track Record Period as there was no requirement to issue audited accounts by the local authorities.

None of the subsidiaries and consolidated affiliated entities had issued any debt securities, except for Dingdang Medicine Express Technology who had issued shares with preferred rights during the Track Record Period. The details of the shares with preferred rights are set out in Note 25.

The Company

In May 2020, pursuant to a share option resolution and the 2020 RSUs Plan, RMB3,574,000 investment by the Company in Dingdang Medicine Express Technology was recognized as of December 31, 2020 and subsequently increased to RMB327,485,000 and RMB396,904,000 as of December 31, 2021 and March 31, 2022. The details of the share option resolution and RSUs plan are set out in Note 29.

In May 2021, the Company invested RMB1,250,007,000 in Dingdang Health Limited, which was established under the laws of British Virgin Islands as a wholly owned subsidiary of the Company. Meanwhile, the Company recognized a deemed investment of RMB1,736,310,000 in Dingdang Medicine Express Technology upon the completion of the Reorganization step 7 as set out in Note 1.2.

APPENDIX I

ACCOUNTANTS’ REPORT

38.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarized financial information of Renhe Yaofangwang and its subsidiaries is set out below. The summarized financial information below represents amounts before intragroup eliminations.

Name of subsidiary	Incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests			Total comprehensive expense allocated to non-controlling interests				Accumulated non-controlling interests		
		December 31,		March 31,	Year ended December 31,		Three months ended March 31,		December 31,		March 31,
		2020	2021	2022	2020	2021	2021	2022	2020	2021	2022
					RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
Renhe Yaofangwang and its subsidiaries	Mainland China	48%	48%	48%	N/A	(16,659)	(3,282)	(4,783)	46,930	30,271	25,488

Renhe Yaofangwang and its subsidiaries:

	As of December 31,		As of March 31,
	2020	2021	2022
	RMB’000	RMB’000	RMB’000
Current assets	76,990	184,767	224,729
Non-current assets	204,186	179,134	170,542
Current liabilities	(138,264)	(259,193)	(303,710)
Non-current liabilities	(46,768)	(44,681)	(41,836)
Equity attributable to owners of the Company	50,841	32,794	27,612
Non-controlling interests of Renhe Yaofangwang	46,930	30,271	25,488
Non-controlling interests of Renhe Yaofangwang’s subsidiary	(1,627)	(3,038)	(3,375)
	Year ended December 31,	Three months ended March 31,	
	2021	2021	2022
	RMB’000	RMB’000	RMB’000
		(unaudited)	
Revenue and other gains	856,134	158,571	224,898
Expenses	(892,251)	(165,605)	(235,200)
Loss and total comprehensive expense for the year/period	(36,117)	(7,034)	(10,302)
Loss and total comprehensive expense attributable to:			
Owners of the Company	(18,047)	(3,556)	(5,182)
Non-controlling interests of Renhe Yaofangwang	(16,659)	(3,282)	(4,783)
Non-controlling interests of Renhe Yaofangwang’s subsidiary	(1,411)	(196)	(337)
Loss and total comprehensive expense for the year/period	(36,117)	(7,034)	(10,302)

39. SUBSEQUENT EVENTS

There are no significant subsequent events subsequent to March 31, 2022.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to March 31, 2022.