Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道 979 號
太古坊一座 27 樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SIPAI HEALTH TECHNOLOGY CO., LTD., MORGAN STANLEY ASIA LIMITED, AND HAITONG INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Sipai Health Technology Co., Ltd. (the "Company", formerly known as Medbanks Health Technology Co., Ltd. and ThinkGeek Network Technology Co., Ltd.) and its subsidiaries (together, the "Group") set out on pages I-3 to I-104, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022, and 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 each of the years ended December 31, 2019, 2020 and 2021, and the six months ended June 30, 2022 (the "Relevant Periods") 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-3 to I-104 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 12, 2022 (the "Prospectus") in connection with the initial listing of the shares 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 set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2019, 2020 and 2021 and June 30, 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Review of interim comparative financial information

We have reviewed the interim 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 six months ended June 30, 2021 and other explanatory information (the "Interim Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. 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 Hong Kong 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 Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in note 2.1 to the Historical Financial Information.

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-3 have been made.

Dividends

We refer to note 13 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Ernst & Young
Certified Public Accountants
Hong Kong
December 12, 2022

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended December 31,	Year ended December 31,	Year ended December 31,	Six months ended June 30,	Six months ended June 30,
		2019	2020	2021	2021	2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
REVENUE	**5**	1,039,011	2,699,647	3,473,930	1,550,044	1,887,652
Cost of sales		(957,207)	(2,512,787)	(3,190,481)	(1,431,562)	(1,710,708)
Gross profit		81,804	186,860	283,449	118,482	176,944
Other income and gains	6	7,004	34,808	51,069	19,538	22,351
Selling and marketing expenses		(116,032)	(183,450)	(291,461)	(139,266)	(160,614)
Administrative expenses		(219,462)	(361,242)	(670,021)	(311,538)	(252,329)
Research and development expenses		(24,850)	(45,743)	(59,207)	(29,305)	(34,286)
Impairment losses on financial assets and contract assets under expected credit loss model ("ECL"), net	24	(1,845)	(5,331)	(6,407)	(2,755)	(5,003)
Other expenses	9	(256)	(5,816)	(3,121)	(1,676)	(4,528)
Finance costs	8	(2,877)	(3,527)	(3,688)	(1,879)	(1,956)
Share of profits and losses of an associate		586	(65)	137	(342)	81
Loss before fair value losses on convertible redeemable preferred shares		(275,928)	(383,506)	(699,250)	(348,741)	(259,340)
Change in fair value of convertible redeemable preferred shares	31	(320,092)	(657,344)	(3,048,428)	(2,168,069)	(85,101)
LOSS BEFORE TAX	7	(596,020)	(1,040,850)	(3,747,678)	(2,516,810)	(344,441)
Income tax (expense)/credit	12	(51)	(1,179)	(825)	38	(1,546)
LOSS FOR THE YEAR/PERIOD		(596,071)	(1,042,029)	(3,748,503)	(2,516,772)	(345,987)
Attributable to:						
Owners of the parent		(594,595)	(1,042,781)	(3,740,455)	(2,510,065)	(346,327)
Non-controlling interests		(1,476)	752	(8,048)	(6,707)	340
		(596,071)	(1,042,029)	(3,748,503)	(2,516,772)	(345,987)

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME—continued

	Note	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
OTHER COMPREHENSIVE (EXPENSE)/INCOME						
Items that may be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of foreign operations		5,472	(3,395)	13,789	17,939	217
Items that will not be reclassified to profit or loss in subsequent periods:						
Exchange differences on translation of the Company		(23,479)	146,119	102,316	7,975	(392,411)
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR/PERIOD		(18,007)	142,724	116,105	25,914	(392,194)
TOTAL COMPREHENSIVE EXPENSE FOR THE YEAR/PERIOD		(614,078)	(899,305)	(3,632,398)	(2,490,858)	(738,181)
Attributable to						
Owners of the parent		(612,602)	(900,057)	(3,624,350)	(2,484,151)	(738,521)
Non-controlling interests		(1,476)	752	(8,048)	(6,707)	340
		(614,078)	(899,305)	(3,632,398)	(2,490,858)	(738,181)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	14					
Basic and diluted						
For loss for the year/period		(5.95)	(10.43)	(37.61)	(25.12)	(3.50)

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at December 31 2019	As at December 31 2020	As at December 31 2021	As at June 30 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property, plant and equipment	15	29,138	26,660	24,692	21,517
Other intangible assets	16	45,695	47,371	61,525	60,055
Prepayments, other receivables and other assets	25	4,586	5,755	147,792	138,991
Right-of-use assets	17	69,595	63,249	89,108	81,680
Investment in an associate		1,365	1,333	1,636	1,717
Goodwill	18	42,074	42,074	79,823	79,823
Total non-current assets		192,453	186,442	404,576	383,783
CURRENT ASSETS					
Inventories	21	211,186	279,931	269,035	279,094
Contract cost		3,761	3,906	2,337	11,134
Trade and bills receivables	23	38,717	44,602	171,195	258,035
Contract assets	24	50,375	73,438	103,266	110,727
Prepayments, other receivables and other assets	25	50,869	72,937	160,347	127,592
Amounts due from related parties	40	181	589	7,666	1,935
Financial assets at fair value through profit or loss ("FVTPL")	20	391,275	38,060	1,067,321	—
Time deposits	26	5,000	5,048	5,048	5,097
Pledged deposits	26	—	—	—	73,200
Cash held on behalf of clients	22	8,179	145,624	166,179	288,131
Cash and cash equivalents	26	199,110	1,628,021	535,849	1,366,423
Total current assets		958,653	2,292,156	2,488,243	2,521,368
CURRENT LIABILITIES					
Trade payables	27	160,612	230,464	237,155	317,629
Other payables and accruals	28	95,657	249,708	367,114	458,219
Amounts due to related parties	40	—	—	2,878	1,864
Contract liabilities	29	59,614	105,884	167,285	166,291
Lease liabilities	17	21,428	26,682	34,123	34,931
Contingent consideration payables	35	—	—	20,790	24,467
Income tax payable		108	507	1,455	1,176
Total current liabilities		337,419	613,245	830,800	1,004,577
NET CURRENT ASSETS		621,234	1,678,911	1,657,443	1,516,791
TOTAL ASSETS LESS CURRENT LIABILITIES		813,687	1,865,353	2,062,019	1,900,574
NON-CURRENT LIABILITIES					
Lease liabilities	17	44,964	36,905	52,895	47,688
Convertible redeemable preferred shares	31	1,774,143	3,618,732	7,434,838	7,914,398
Deferred tax liabilities	30	1,517	1,363	1,519	1,427
Contingent consideration payables	35	—	—	3,677	—
Total non-current liabilities		1,820,624	3,657,000	7,492,929	7,963,513
Net liabilities		(1,006,937)	(1,791,647)	(5,430,910)	(6,062,939)
EQUITY					
Equity attributable to owners of the parent					
Share capital	32	61	61	138	138
Reserves		(1,010,651)	(1,796,713)	(5,429,362)	(6,062,221)
		(1,010,590)	(1,796,652)	(5,429,224)	(6,062,083)
Non-controlling interests		3,653	5,005	(1,686)	(856)
Total deficits		(1,006,937)	(1,791,647)	(5,430,910)	(6,062,939)

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Share-based payment reserve*	Foreign currency translation reserve*	Accumulated losses*	Total	Non-controlling interests	Total deficit
	RMB'000 (note 32)	*RMB'000*	*RMB'000* (note 34)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	61	939	30,874	(19,801)	(432,194)	(420,121)	5	(420,116)
Loss for the year	—	—	—	—	(594,595)	(594,595)	(1,476)	(596,071)
Other comprehensive expense for the year	—	—	—	(18,007)	—	(18,007)	—	(18,007)
Total comprehensive expense for the year	—	—	—	(18,007)	(594,595)	(612,602)	(1,476)	(614,078)
Share-based payment compensation	—	—	21,738	—	—	21,738	—	21,738
Acquisition of subsidiaries (notes 35, 36)	—	—	—	—	—	—	5,174	5,174
Capital injection into subsidiaries by non-controlling shareholders	—	—	—	—	—	—	95	95
Change in ownership interests in subsidiaries without change of control (note a)	—	—	—	—	395	395	(145)	250
At December 31, 2019	61	939	52,612	(37,808)	(1,026,394)	(1,010,590)	3,653	(1,006,937)

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent							
	Share capital	Capital reserve*	Share-based payment reserve*	Foreign currency translation reserve*	Accumulated losses*	Total	Non-controlling interests	Total deficit
	RMB'000 (note 32)	*RMB'000*	*RMB'000* (note 34)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2020	61	939	52,612	(37,808)	(1,026,394)	(1,010,590)	3,653	(1,006,937)
(Loss)/profit for the year	—	—	—	—	(1,042,781)	(1,042,781)	752	(1,042,029)
Other comprehensive income for the year	—	—	—	142,724	—	142,724	—	142,724
Total comprehensive income/(expense) for the year	—	—	—	142,724	(1,042,781)	(900,057)	752	(899,305)
Share-based payment compensation	—	—	113,995	—	—	113,995	—	113,995
Capital injection into subsidiaries by non-controlling shareholders	—	—	—	—	—	—	600	600
At December 31, 2020	61	939	166,607	104,916	(2,069,175)	(1,796,652)	5,005	(1,791,647)

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent									
	Share capital	Treasury shares	Capital reserve*	Share-based payment reserve*	Other reserve*	Foreign currency translation reserve*	Accumulated losses*	Total	Non-controlling interests	Total deficit
	RMB'000 (note 32)	*RMB'000*	*RMB'000*	*RMB'000* (note 34)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	61	—	939	166,607	—	104,916	(2,069,175)	(1,796,652)	5,005	(1,791,647)
Loss for the year	—	—	—	—	—	—	(3,740,455)	(3,740,455)	(8,048)	(3,748,503)
Other comprehensive income for the year	—	—	—	—	—	116,105	—	116,105	—	116,105
Total comprehensive income/(expense) for the year	—	—	—	—	—	116,105	(3,740,455)	(3,624,350)	(8,048)	(3,632,398)
Issue of new ordinary shares (note 32)	78	—	—	—	—	—	—	78	—	78
Share-based payment compensation	—	—	—	298,682	—	—	—	298,682	—	298,682
Acquisition of subsidiaries (note 36)	—	—	—	—	—	—	—	—	1,103	1,103
Repurchase of the vested share options (note b)	—	—	—	(27,795)	(25,591)	—	—	(53,386)	—	(53,386)
Repurchase of the ordinary share (note 32)	(1)	—	—	—	(10,056)	—	—	(10,057)	—	(10,057)
Disposal of subsidiaries of offline clinic services (note 37)	—	—	—	—	(243,697)	—	—	(243,697)	—	(243,697)
Shares issued to trust and converted to the treasury shares (note 32)	—	(78)	—	—	—	—	—	(78)	—	(78)
Capital injection into subsidiaries by non-controlling shareholders	—	—	—	—	—	—	—	—	490	490
Change in ownership interests in subsidiaries without change of control	—	—	—	—	236	—	—	236	(236)	—
At December 31, 2021	138	(78)	939	437,494	(279,108)	221,021	(5,809,630)	(5,429,224)	(1,686)	(5,430,910)

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent									
	Share capital	Treasury shares	Capital reserve*	Share-based payment reserve*	Other capital reserve*	Foreign currency translation reserve*	Accumulated losses*	Total	Non-controlling interests	Total deficit
	RMB'000 (note 32)	RMB'000	RMB'000	RMB'000 (note 34)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2021	61	—	939	166,607	—	104,916	(2,069,175)	(1,796,652)	5,005	(1,791,647)
Loss for the period (unaudited)	—	—	—	—	—	—	(2,510,065)	(2,510,065)	(6,707)	(2,516,772)
Other comprehensive income for the period (unaudited)	—	—	—	—	—	25,914	—	25,914	—	25,914
Total comprehensive income/(expense) for the period (unaudited)	—	—	—	—	—	25,914	(2,510,065)	(2,484,151)	(6,707)	(2,490,858)
Issue of new ordinary shares (unaudited) (note 32)	78	—	—	—	—	—	—	78	—	78
Share-based payment compensation (unaudited)	—	—	—	143,967	—	—	—	143,967	—	143,967
Acquisition of subsidiaries (unaudited) (note 36)	—	—	—	—	—	—	—	—	153	153
Repurchase of the vested share options (unaudited) (note b)	—	—	—	(27,795)	(25,591)	—	—	(53,386)	—	(53,386)
Repurchase of the ordinary share (unaudited) (note 32)	(1)	—	—	—	(10,056)	—	—	(10,057)	—	(10,057)
Disposal of subsidiaries of offline clinics services (unaudited) (note 37)	—	—	—	—	(243,697)	—	—	(243,697)	—	(243,697)
Shares issued to trust and converted to the treasury shares (unaudited) (note 32)	—	(78)	—	—	—	—	—	(78)	—	(78)
At June 30, 2021 (unaudited)	138	(78)	939	282,779	(279,344)	130,830	(4,579,240)	(4,443,976)	(1,549)	(4,445,525)

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued

	Attributable to owners of the parent									
	Share capital	Treasury shares	Capital reserve*	Share-based payment reserve*	Other reserve*	Foreign currency translation reserve*	Accumulated losses*	Total	Non-controlling interests	Total deficit
	RMB'000 (note 32)	*RMB'000*	*RMB'000*	*RMB'000* (note 34)	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2022	138	(78)	939	437,494	(279,108)	221,021	(5,809,630)	(5,429,224)	(1,686)	(5,430,910)
(Loss)/profit for the period	—	—	—	—	—	—	(346,327)	(346,327)	340	(345,987)
Other comprehensive expense for the period	—	—	—	—	—	(392,194)	—	(392,194)	—	(392,194)
Total comprehensive (expense)/income for the period	—	—	—	—	—	(392,194)	(346,327)	(738,521)	340	(738,181)
Capital injection into a subsidiary by non-controlling shareholders	—	—	—	—	—	—	—	—	490	490
Share-based payment compensation	—	—	—	105,662	—	—	—	105,662	—	105,662
At June 30, 2022	138	(78)	939	543,156	(279,108)	(171,173)	(6,155,957)	(6,062,083)	(856)	(6,062,939)

* These reserve accounts represent the total reserves excluding treasury shares of RMB(1,010,651,000), RMB(1,796,713,000), RMB(5,429,284,000) and RMB(6,062,143,000) in the consolidated statements of financial position as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively.

Note a: Shenzhen Medbanks Pharmacy Co., Ltd. 深圳市思派大藥房有限公司 ("Shenzhen Medbanks") was established by the Group in August 2018. The Group disposed of 49% of its equity interests in Shenzhen Medbanks to a third party for a total cash consideration of RMB250,000 in August 2019. The proportionate share of the carrying amount of the net liabilities of Shenzhen Medbanks attributable to non-controlling interests amounted to RMB145,000.

Note b: In February and May 2021, the Company repurchased 4,000,000 and 1,950,000 vested share options, respectively, granted to certain directors of the Company and the Group's employees under the 2017 Share Option Plan as set out in note 34 to the Historical Financial Information at a total net consideration of RMB36,922,000 and RMB16,464,000, respectively after deduction of the exercise price. The repurchase price was determined based on the fair value of ordinary shares of the Company on the repurchase date with reference to the issue price of recent financing. The repurchase of vested share options was accounted for as a deduction from equity.

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
CASH FLOWS USED IN OPERATING ACTIVITIES						
Loss before tax		(596,020)	(1,040,850)	(3,747,678)	(2,516,810)	(344,441)
Adjustments for:						
Finance costs	8	2,877	3,527	3,688	1,879	1,956
Bank interest income	6	(1,259)	(1,136)	(10,370)	(7,231)	(8,206)
Depreciation of property, plant and equipment	7	8,331	13,563	14,316	7,232	6,693
Depreciation of right-of-use assets	7	20,119	28,746	32,432	17,036	15,590
Amortisation of other intangible assets	7	1,557	5,402	7,134	3,186	4,187
Share-based payment compensation	34	21,738	113,995	298,682	143,967	105,662
Impairment loss recognized on financial assets and contract assets under ECL model, net	24, 25	1,845	5,331	6,407	2,755	5,003
Impairment loss recognized on inventories, net of reversal	21	61	3,279	2,389	(1,544)	2,699
Loss/(gain) on disposal of property, plant and equipment, net		19	(23)	77	18	7
Loss on disposal of other intangible assets		—	—	16	—	—
Gains on lease termination, net	17	(43)	—	(365)	(159)	(331)
Change in fair value of convertible redeemable preferred shares	31	320,092	657,344	3,048,428	2,168,069	85,101
Gain from the disposal of a subsidiary		(29)	—	—	—	—
Foreign exchange differences, net	7	(600)	12	(3,952)	(4,004)	(8)
Gain on financial assets at FVTPL	6	(4,356)	(8,779)	(25,658)	(5,600)	(10,260)
Share of profit and loss of an associate		(586)	65	(137)	342	(81)
Operating cash flows before movements in working capital		(226,254)	(219,524)	(374,591)	(190,864)	(136,429)
(Increase)/decrease in inventories	21	(171,678)	(70,977)	15,634	(24,957)	(12,758)
(Increase)/decrease in contract cost		(3,761)	(145)	1,569	557	(8,797)
Increase in trade and bills receivables	23	(27,003)	(10,245)	(132,999)	(39,495)	(91,186)

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Notes	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Increase in contract assets	24	(28,243)	(24,034)	(31,107)	(29,208)	(8,880)
(Increase)/decrease in prepayments, other receivables and other assets	25	(36,778)	(20,327)	(219,197)	(230,440)	33,531
Increase in pledged deposits	26	—	—	—	—	(73,200)
Increase in cash held on behalf of clients	22	(8,179)	(137,445)	(20,555)	(102,698)	(121,952)
Decrease/(increase) in amounts due from related parties	40	1,000	(408)	21,152	(102,269)	5,731
Increase/(decrease) in amounts due to related parties	40	—	—	1,624	99,338	(1,014)
Increase/(decrease) in trade payables	27	114,730	69,852	(3,742)	27,746	80,474
Increase in other payables and accruals	28	26,999	175,800	60,233	105,239	122,383
Increase/(decrease) in contract liabilities	29	32,523	46,270	61,450	13,006	(994)
Cash used in operations		(326,644)	(191,183)	(620,529)	(474,045)	(213,091)
Income tax paid		(516)	(934)	(1,390)	(490)	(1,917)
Net cash flows used in operating activities		(327,160)	(192,117)	(621,919)	(474,535)	(215,008)
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES						
Purchases of property, plant and equipment		(16,821)	(11,990)	(16,577)	(7,823)	(3,919)
Purchases of other intangible assets		—	(2,722)	(4,832)	(2,403)	(7,495)
Purchase of financial products at FVTPL		(16,023)	—	(1,003,603)	(1,210,812)	—
Proceeds from withdrawal of financial products at FVTPL		—	361,994	—	—	1,077,581
Proceeds from disposal of property, plant and equipment		10	340	89	57	241
Interest income		1,259	1,088	10,370	7,182	8,157
Acquisition of subsidiaries	35, 36	(47,236)	(29,093)	(5,780)	(4,219)	(17,578)
Disposal of a subsidiary		(1,804)	—	—	—	—
Net cash flows (used in)/from investing activities		(80,615)	319,617	(1,020,333)	(1,218,018)	1,056,987

I HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

	Notes	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES						
Proceeds from issue of convertible redeemable preferred shares	31	573,655	1,340,485	1,126,746	1,126,745	—
Redemption of convertible redeemable preferred shares	31	—	—	(206,846)	(61,657)	—
Repurchase of the ordinary shares	32	—	—	(10,057)	(10,057)	—
Contribution from non-controlling shareholders		95	600	490	—	490
Payments of repurchase of the vested options		—	—	(53,386)	(49,066)	—
Principal portion of lease payments	17	(19,413)	(25,619)	(34,533)	(15,680)	(12,230)
Interest paid for lease liabilities	17	(2,877)	(3,527)	(3,688)	(1,879)	(1,956)
Disposal of subsidiaries of offline clinic services to shareholders	37	—	—	(262,565)	(262,565)	—
Payments of listing expenses		—	—	(3,983)	(405)	(941)
Advance payments received for subscription of share options		—	—	7,114	5,812	959
Consideration from disposal of partial interests of a subsidiary		250	—	—	—	—
Net cash flows from/(used in) financing activities		551,710	1,311,939	559,292	731,248	(13,678)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		143,935	1,439,439	(1,082,960)	(961,305)	828,301
Cash and cash equivalents at beginning of year/period	26	59,904	199,110	1,628,021	1,628,021	535,849
Effect of foreign exchange rate changes, net		(4,729)	(10,528)	(9,212)	(9,072)	2,273
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	26	199,110	1,628,021	535,849	657,644	1,366,423

I HISTORICAL FINANCIAL INFORMATION

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at December 31 2019	As at December 31 2020	As at December 31 2021	As at June 30 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Investment in subsidiaries	19	1,237,029	2,730,550	3,546,313	3,609,588
Total non-current assets		1,237,029	2,730,550	3,546,313	3,609,588
CURRENT ASSETS					
Prepayments, other receivables and other assets		—	48	77	2,639
Financial assets at FVTPL	20	76,020	3	—	—
Amounts due from subsidiaries		61	61	425,611	425,611
Cash and cash equivalents	26	209	34	298	301
Total current assets		76,290	146	425,986	428,551
CURRENT LIABILITIES					
Other payables and accruals		—	50	30,550	25,756
Amounts due to subsidiaries		—	—	410,420	419,856
Total current liabilities		—	50	440,970	445,612
NET CURRENT ASSETS		76,290	96	(14,984)	(17,061)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,313,319	2,730,646	3,531,329	3,592,527
NON-CURRENT LIABILITIES					
Convertible redeemable preferred shares	31	1,677,222	3,481,751	7,365,510	7,840,257
Total non-current liabilities		1,677,222	3,481,751	7,365,510	7,840,257
NET LIABILITIES		(363,903)	(751,105)	(3,834,181)	(4,247,730)
EQUITY					
Share capital	32	61	61	138	138
Reserves	33	(363,964)	(751,166)	(3,834,319)	(4,247,868)
Total deficits		(363,903)	(751,105)	(3,834,181)	(4,247,730)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Sipai Health Technology Co., Ltd. (the "Company", formerly known as Medbanks Health Technology Co., Ltd. and ThinkGeek Network Technology Co., Ltd.) is limited liability company incorporated in the Cayman Islands ("Cayman") under the laws of the Cayman Islands. The registered office address of the Company is at Floor 4, Willow House, Cricket Square, Grand Cayman KY1-9010, Cayman Islands.

During the Relevant Periods, the Company and its subsidiaries (together, the "Group") are principally engaged in (i) the provision of specialty pharmacy business (the "Specialty Pharmacy Business", including specialty pharmacy network and pharmacist service), (ii) the provision of physician research assistance (the "Physician Research Assistance Business", including site management organization services, services for image management in clinical trials and real-world study services) and (iii) health insurance services (the "Health Insurance Services Business", including health management services). The Group's principal operations and geographic markets are in the People's Republic of China (the "PRC").

As at the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, particulars of the principal subsidiaries are set out below:

Name	Notes	Place and date of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
MediGeek Network Technology Co., Limited	(a)	Hong Kong (the "HK") of PRC May 29, 2015	HK$1	100%	—	Investment holding
Siweite (Beijing) Healthcare Management Co., Ltd.*思維特(北京)健康管理有限公司	(d) (j) (k)	PRC/Mainland China August 16, 2017	RMB10,000,000	—	100%	Investment holding
Yunnan Ditipi Pharmaceutical Co., Ltd.*雲南蒂梯匹藥業有限公司	(a)	PRC/Mainland China August 8, 2016	RMB1,000,000	—	100%	Retail of pharmaceutical products
Sichuan Sipai Pharmacy Co.,Ltd.*四川思派大藥房有限公司	(h) (i) (k)	PRC/Mainland China April 17, 2018	RMB1,000,000	—	100%	Retail of pharmaceutical products
Taiyuan Taikang Xinte Pharmacy Co., Ltd.*太原泰康新特大藥房有限公司	(a)	PRC/Mainland China August 15, 2012	RMB800,000	—	51%	Retail of pharmaceutical products
Hubei Sipai Pharmacy Co., Ltd.*湖北思派大藥房有限公司	(a)	PRC/Mainland China May 24, 2018	RMB2,000,000	—	100%	Retail of pharmaceutical products
Guangdong Dahui Medical Co., Ltd.*廣東達慧醫藥有限 公司	(e)	PRC/Mainland China July 19, 2000	RMB50,000,000	—	100%	Pharmacy sector wholesale
Sipai Wisdom Pharmacy (Guang zhou)Co., Ltd.*思派智慧大藥房(廣州)有限公司	(a)	PRC/Mainland China April 17, 2019	RMB1,600,000,000	—	100%	Pharmacy sector holding company
Bixun (Shanghai) Medical Technology Co., Ltd.*比遜(上海)醫療科技有限公司	(a)	PRC/Mainland China June 3, 2014	RMB100,000,000	—	100%	Site management organization services

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

1. CORPORATE INFORMATION—continued

Name	Notes	Place and date of incorporation/ registration and place of operations	Issued ordinary share/registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Bixun (Guangzhou) Medical Technology Co., Ltd.*比遜(廣州)醫療科技有限公司	(f) (j) (k)	PRC/Mainland China April 29, 2019	RMB200,000,000	—	100%	Site management organization services
Sipai Healthcare Investment Co., Ltd.*思派健康產業投資有限公司	(a) (c)	PRC/Mainland China March 8, 2019	USD400,000,000	—	100%	Investment holding
Sipai (Beijing) Insurance Brokerage Co., Ltd.*思派(北京)保險經紀有限公司 (formerly known as Yuantong (Beijing) Insurance Brokerage Co., Ltd.*遠通(北京)保險經紀有限公司)	(g) (j) (k)	PRC/Mainland China November 18, 2014	RMB50,000,000	—	100%	Insurance brokerage
Sipai (Beijing) Network Technology Co., Ltd.*思派(北京)網絡 科技有限公司	(a) (b) (c)	PRC/Mainland China March 28, 2014	RMB1,083,474.15	—	100%	Insurance brokerage

The above table lists the subsidiaries of the Company that the directors of the Company believe 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 English names of these subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as these subsidiaries do not have official English names.

Notes:

(a) No audited financial statements have been prepared for these companies since their incorporation/registration, since there are no statutory audit requirements.

(b) On August 17, 2015, Yiling (Shanghai) Information Technology Co., Ltd. 醫淩(上海)信息科技有限公司("Shanghai WFOE") entered into a series of contractual arrangements with Sipai (Beijing) Network Technology Co., Ltd. 思派(北京)網絡科技有限公司("SBIT") and its equity holders, which granted Shanghai WFOE the control over SBIT, which has been treated as an indirect subsidiary of the Company thereafter for accounting purposes. Shanghai WFOE was voluntarily dissolved in March 2022.

(c) On May 10, 2021, SBIT and Shanghai WFOE, among other parties, terminated the contractual arrangement among themselves. On May 10, 2021, Sipai Healthcare Investment Co., Ltd 思派健康產業投資有限公司 ("Sipai WFOE") entered into a series of contractual arrangements with SBIT and its equity holders, which granted Sipai WFOE the control over SBIT, which has still been treated as an indirect subsidiary of the Company thereafter for accounting purposes.

(d) The statutory financial statements of Siweite (Beijing) Healthcare Management Co., Ltd. for the year ended December 31, 2019 prepared under PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Liaoning Known Union Alpha Cpa Ltd. (遼寧言知會計師事務所有限公司).

(e) The statutory financial statements of Guangdong Dahui Medical Co., Ltd for the years ended December 31, 2019, 2020 and 2021 prepared under PRC GAAP were audited by Guangzhou Xin Dongyue Certified Public Accountant's Co., Ltd. (廣州市新東越會計師事務所有限公司).

(f) The statutory financial statements of Bixun (Guangzhou) Medical Technology Co., Ltd. for the year ended December 31, 2019 prepared under PRC GAAP were audited by Shanghai Hddy Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司).

(g) The statutory financial statements of Yuantong (Beijing) Insurance Brokerage Co., Ltd. for the year ended December 31, 2019 prepared under PRC GAAP were audited by Shanghai Hddy Certified Public Accountants Co., Ltd. (上海宏大東亞會計師事務所有限公司).

(h) The statutory financial statements of Sichuan Sipai Pharmacy Co., Ltd for the year ended December 31, 2020 prepared under PRC GAAP were audited by Sichuan Mingyang Zhengxin Certified Public Accountant's Co., Ltd. (四川名揚正信會計師事務所有限公司).

(i) No audited financial statements have been prepared for these companies for the year ended December 31, 2019.

(j) No audited financial statements have been prepared for these companies for the year ended December 31, 2020.

(k) No audited financial statements have been prepared for these companies for the year ended December 31, 2021.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board ("IASB"). All IFRSs effective for the accounting period commencing from January 1, 2022, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value at the end of each of the Relevant Periods.

Notwithstanding that the Group recorded net liabilities of RMB6,062,939,000 as at June 30, 2022 and continually incurred losses from operations, the Historical Financial Information has been prepared on a going concern basis. The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next 12 months from June 30, 2022 because the convertible redeemable preferred shares would not be contractually redeemable within the next 12-month period.

Basis of consolidation

The Historical Financial Information includes the financial statements of the Company and its subsidiaries for the Relevant Periods and the six months ended June 30, 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.1 BASIS OF PREPARATION—continued

Basis of consolidation—continued

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Contractual arrangements

SBIT and its subsidiaries and Sipai Healthcare Technology (Guangzhou) Co., Ltd. (思派健康科技(廣州)有限公司, "SHTG") and its subsidiaries are engaged in the insurance broking business and provision of offline clinic services, respectively (collectively, the "PRC Operating Entities"). Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaging in the insurance broking business and offline clinic services carried out by subsidiaries of the Group, Shanghai WFOE, a wholly-owned subsidiary of the Group, entered into a series of contractual arrangements with SBIT and certain PRC individuals on August 17, 2015 and Sipai WFOE, a wholly-owned subsidiary of the Group, entered into a series of contractual arrangements with SHTG and certain PRC individuals on July 30, 2019.

To ensure that the contractual arrangements are narrowly tailored in accordance with the requirements of the Stock Exchange and in preparation for the Hong Kong Initial Public Offering ("HK IPO"), the Group underwent the certain onshore reorganization to streamline the corporate structure as detailed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus. On May 10, 2021, SBIT and Shanghai WFOE, among other parties, terminated the contractual arrangement among themselves. Besides, at the same date, Sipai WFOE entered into a series of contractual arrangements with SBIT and its equity holders, which granted Sipai WFOE the control over SBIT, which has been treated as an indirect subsidiary of the Company during the Relevant Periods and the six months ended June 30, 2021 for accounting purposes.

On June 30, 2021, Sipai WFOE and SHTG among other parties, terminated the contractual arrangement among themselves. Besides, at the same date, Sipai Information Technology (Xiamen) Co., Ltd. (思派信息技術(廈門)有限公司) ("SITX", the subsidiary of the Group) entered into a series of contractual arrangements with SHTG and its equity holders, which granted SITX the control over SHTG, which has been treated as an indirect subsidiary of the Company during the Relevant Periods till SHTG was disposed as subsidiaries of Spcare Technology Co., Ltd as detailed in note 37 for accounting purposes.

The contractual arrangements mentioned in the paragraphs above enable Shanghai WFOE, Sipai WFOE and SITX to exercise effective control over the relevant entities of PRC Operating Entities and, accordingly, Shanghai WFOE, Sipai WFOE and SITX each have rights to variable returns from its involvement with the relevant entities of PRC Operating Entities and has the ability to affect those

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.1 BASIS OF PREPARATION—continued

Contractual arrangements—continued

returns through its power over the PRC Operating Entities. Accordingly, the Company regards the PRC Operating Entities as indirect subsidiaries for the purpose of the Historical Financial Information and the financial statements of the PRC Operating Entities for the Relevant Periods and the six months ended June 30, 2021 have been consolidated in the Historical Financial Information for the Relevant Periods and the six months ended June 30, 2021. Details of the contractual arrangements are disclosed in the section headed "Contractual Arrangements" in the Prospectus.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 17	*Insurance Contracts*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 3]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9-Comparative information*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after January 1, 2023
2 No mandatory effective date yet determined but available for adoption
3 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group considers that these new and revised IFRSs may result in changes in accounting policies but are not expected to have a significant impact on the Group's results of operations and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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 Group's investments in associates are stated in the consolidated statements of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Investments in associates—continued

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statements of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Business combinations and goodwill—continued

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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

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

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

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

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Fair value measurement—continued

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, financial assets and other non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

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

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Related parties—continued

A party is considered to be related to the Group if—continued:

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	19%
Electronic equipment	19%-32%
Motor vehicles	12%-24%
Leasehold improvements	20%-33%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Property, plant and equipment and depreciation—continued

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents leasehold improvements under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Licenses

Purchased licenses are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 10 years. The useful life of 3-10 years for license is estimated based on the duration of the license, as well as the useful lives of similar assets in the marketplace.

Software

Purchased software is stated at cost less any impairment losses and is amortized on the straight-line basis over its estimated useful lives of 3 to 10 years. The estimated useful life of 3-10 years for software is determined by considering the period of the economic benefits to the Group as well as by referring to the industry practice.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new software is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Software development expenditure which does not meet these criteria is expensed when incurred.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease components, the Group adopts the practical expedient not to separate non-lease components and to account for the lease component and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	1-10 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Leases—continued

Group as a lessee—continued

change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of motor vehicles that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade and bills receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Investments and other financial assets—continued

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost includes cash and cash equivalents, time deposits, pledged deposits, amounts due from related companies and deposits and other receivables included in prepayments, other receivables and other assets.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the consolidated statements of financial position at fair value with net changes in fair value recognized in profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Investments and other financial assets—continued

Derecognition of financial assets—continued

ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

General approach

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

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

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Impairment of financial assets—continued

General approach—continued

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

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

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

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

Simplified approach

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and convertible redeemable preferred shares.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities designated upon initial recognition as at fair value through profit or loss.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Financial liabilities—continued

Financial liabilities at fair value through profit or loss—continued

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognized in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortized cost

After initial recognition, trade payables and other payables are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as warrants. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Group (treasury shares) are recognized directly in equity at cost. No gain or loss is recognized in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and at banks.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Income tax—continued

Deferred tax assets are recognized for all deductible temporary differences, and the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Specialty Pharmacy Business

The primary source of the revenue from the Specialty Pharmacy Business is generated from the operation of offline Delivery to Patients ("DTP") retail pharmacies and distribution of pharmaceutical products to pharmaceutical companies and other distributors. Revenue from the Specialty Pharmacy Business is recognized at the point in time when control of goods is transferred to the customer, generally on delivery of the medicines and pharmaceutical products.

The Group evaluates whether it is appropriate to record the gross amount of sales of pharmaceutical products and related costs or the net amount earned as commissions for its distribution of pharmaceutical products under the Specialty Pharmacy Business. When the Group acts as a principal, that the Group obtains control of the specified goods or services before they are transferred to the customers, the revenues should be recognized in the gross amount of consideration to which it expects to be entitled in exchange for the specified goods or services transferred. When the Group acts as an agent and its obligation is to facilitate third parties in fulfilling their performance obligation for specified goods or services, the revenues should be recognized in the net amount for the amount of commission which the Group earns in exchange for arranging for the specified goods or services to be provided by other parties.

(b) Physician Research Assistance Business

The primary source of revenue from the Physician Research Assistance business is generated from site management organization services, providing integrated services to pharmaceutical companies to assist

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Revenue recognition—continued

Revenue from contracts with customers—continued

them in producing clinical trial data that meets the relevant regulatory standards for the pharmaceutical companies to advance to the next phase of clinical trial or solicit approval of a treatment by the applicable regulatory body. The Group recognizes the revenue when the performance obligation is satisfied over time as the service output is captured in clinical data and documentation that is available for pharmaceutical companies over the progress of clinical trials.

(c) Health Insurance Services Business

The primary source of revenue from the Health Insurance Services business is commissions from insurance brokerage services. The Group provides insurance brokerage services including distribution of various health and life insurance products on behalf of insurance companies. As an agent of the insurance companies, the Group sell insurance policies on behalf of the insurance companies and earn brokerage commissions determined as a percentage of premiums paid by the insured.

Insurance brokerage services revenue is recognized when the signed insurance policy becomes effective since the Group have fulfilled its performance obligation. The Group also generated revenue from health management and claim processing services provided to insurance companies, typically charging insurance companies of a fixed fee per policy and revenue is recognized over time during the service period as the Group fulfills its performance obligation.

Other income

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

Contract assets

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

Contract liabilities

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

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Contract costs

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to fulfill a contract with a customer are capitalized as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration and rewards in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 34 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an option unless there are also service and/or performance conditions.

For options that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where options include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Share-based payments—continued

Where the terms of an equity-settled option are modified, as a minimum an expense is recognized as if the terms had not been modified, if the original terms of the option are met. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled option is canceled, it is treated as if it had vested on the date of cancelation, and any expense not yet recognized for the option is recognized immediately. This includes any option where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new option is substituted for the canceled option, and is designated as a replacement option on the date that it is granted, the canceled and new options are treated as if they were a modification of the original option, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

The Historical Financial Information is presented in RMB, which is different from the Company's functional currency, the United States dollar ("USD"). As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration,

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—continued

Foreign currencies—continued

the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make Judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgments

In the process of applying the Group's accounting policies, management has made the following Judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the Historical Financial Information:

Acquisition of subsidiaries that are not a business

IFRS 3 requires an entity to determine whether a transaction or event is a business combination which requires that the assets acquired and liabilities assumed constitute a business. During the relevant periods, the Group acquired certain equity interests of companies from independent third parties as detailed in note 36 to the Historical Financial Information. The Group determined that those activities and assets of equity interests of companies acquired didn't constitute business on the acquisition date. The transaction was then accounted for as an asset acquisition.

Consolidation of affiliated entities

The Group obtained control over certain PRC domestic companies as detailed in note 2.1 by entering into a series of the Contractual Arrangements with the PRC domestic companies and its shareholders.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Consolidation of affiliated entities—continued

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 PRC domestic companies and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the PRC domestic company. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among WFOE companies, PRC domestic companies and its shareholders are in compliance with the relevant PRC laws and are legally enforceable.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each Relevant Periods, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision for ECLs is sensitive to changes in estimates. The information about the ECLs and the Group's trade receivables and contract assets are disclosed in note 23 and note 24 to the Historical Financial Information.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of trade and bills receivables amounted to RMB38,717,000 (net of allowance for ECLs of RMB1,395,000), RMB44,602,000 (net of loss allowance for ECLs of RMB5,756,000), RMB171,195,000 (net of loss allowance for ECLs of RMB8,673,000) and RMB258,035,000 (net of loss allowance for ECLs of RMB13,019,000), respectively.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of contract assets amounted to RMB50,375,000 (net of allowance for ECLs of RMB1,498,000), RMB73,438,000 (net of loss allowance for ECLs of RMB2,468,000), RMB103,266,000 (net of loss allowance for ECLs of RMB3,747,000) and RMB110,727,000 (net of loss allowance for ECLs of RMB5,166,000), respectively.

Inventories

The Group assesses periodically if cost of inventories may not be recoverable based on an assessment of the net realizable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories. The identification of obsolete inventories requires the use of judgement and estimates on the conditions and usefulness of the inventories, the net realizable value has been determined based on the contracted selling price to be recognized less all estimated remaining costs to completion and costs necessary to

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Estimation uncertainty—continued

Inventories—continued

provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories in the year in which such estimate changes.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of inventories were approximately RMB211,186,000, RMB279,931,000, RMB269,035,000 and RMB279,094,000 respectively (net of write-down of inventories of approximately RMB61,000, RMB3,340,000, RMB2,471,000 and RMB3,340,000, respectively).

Useful lives and residual values of other intangible assets

The Group's management determines the useful lives, residual values and related amortization charges for its other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions and may vary significantly as a result of policy changes and keen competitions from competitors, resulting in higher amortization charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. The Group will increase the amortization charges where useful lives are less than previously estimated lives, or will write-off or write-down obsolete assets that have been abandoned or sold.

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 ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR 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 (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available).

Recognition of deferred tax assets

Deferred tax assets are recognized in respect of deductible temporary differences and unused tax losses. As those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences and the losses can be utilized, management's judgement is required to assess the probability of future taxable profits. Management's assessment is revised as necessary and additional deferred tax assets are recognized if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

Fair value of financial instruments

The convertible redeemable preferred shares issued by the Group are not traded in an active market and the respective fair values are determined by using valuation techniques, including discounted cash flow model.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES—continued

Estimation uncertainty—continued

Fair value of financial instruments—continued

The fair values of convertible redeemable preferred shares of the Group as at December 31, 2019, 2020, and 2021 and June 30, 2022 were RMB1,774,143,000, RMB3,618,732,000, RMB7,434,838,000 and RMB7,914,398,000, respectively. Further details are set out in note 31 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of property, plant and equipment were RMB29,138,000, RMB26,660,000, RMB24,692,000 and RMB21,517,000, respectively.

As at December 31, 2019, 2020 and 2021 and June 30, 2022, the carrying amounts of other intangible assets were RMB45,695,000, RMB47,371,000, RMB61,525,000 and RMB60,055,000, respectively.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at December 31, 2019, 2020 and 2021 and June 30, 2022 were RMB42,074,000, RMB42,074,000, RMB79,823,000 and RMB79,823,000, respectively and none of the impairment losses was recognized during the Relevant Periods. Details of the impairment testing are set out in note 18.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has three reportable operating segments as follows:

Specialty Pharmacy Business	Operation of specialty pharmacy stores and distribution of pharmaceutical products to pharmaceutical companies and other distributors.
Physician Research Assistance Business	Offering pharmaceutical companies and other clinical trial institutions site management organization services, including site feasibility, site initiation, patient recruitment, patient management, data entry and document management, on-site drug management and bio-sample management, site closure and others; offering services for image management in clinical trials and offering real-world study services.
Health Insurance Services Business	Rendering insurance brokerage services to insurance companies.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment gross profit. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

For the year ended December 31, 2019

	Specialty Pharmacy Business	Physician Research Assistance Business	Health Insurance Services Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	863,600	173,195	2,216	1,039,011
Segment results	47,932	32,996	876	81,804
Reconciliation:				
Other income and gains				7,004
Selling and marketing expenses				(116,032)
Administrative expenses				(219,462)
Research and development expenses				(24,850)
Impairment losses under ECL model				(1,845)
Change in fair value of convertible redeemable preferred shares				(320,092)
Other expenses				(256)
Finance costs				(2,877)
Share of profits and losses of an associate				586
Group's loss before tax				(596,020)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SEGMENT INFORMATION—continued

For the year ended December 31, 2020

	Specialty Pharmacy Business	Physician Research Assistance Business	Health Insurance Services Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	2,482,006	185,652	31,989	2,699,647
Segment results	135,775	39,399	11,686	186,860
Reconciliation:				
Other income and gains				34,808
Selling and marketing expenses				(183,450)
Administrative expenses				(361,242)
Research and development expenses				(45,743)
Impairment losses under ECL model				(5,331)
Change in fair value of convertible redeemable preferred shares				(657,344)
Other expenses				(5,816)
Finance costs				(3,527)
Share of profits and losses of an associate				(65)
Group's loss before tax				(1,040,850)

For the year ended December 31, 2021

	Specialty Pharmacy Business	Physician Research Assistance Business	Health Insurance Services Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	3,136,484	244,857	92,589	3,473,930
Segment results	185,444	44,859	53,146	283,449
Reconciliation:				
Other income and gains				51,069
Selling and marketing expenses				(291,461)
Administrative expenses				(670,021)
Research and development expenses				(59,207)
Impairment losses under ECL model				(6,407)
Change in fair value of convertible redeemable preferred shares				(3,048,428)
Other expenses				(3,121)
Finance costs				(3,688)
Share of profits and losses of an associate				137
Group's loss before tax				(3,747,678)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SEGMENT INFORMATION—continued

For the six months ended June 30, 2021 (unaudited)

	Specialty Pharmacy Business	Physician Research Assistance Business	Health Insurance Services Business	Total
	RMB'000 (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)	*RMB'000* (unaudited)
Segment revenue	1,407,134	102,133	40,777	1,550,044
Segment results	84,719	13,636	20,127	118,482
Reconciliation:				
Other income and gains				19,538
Selling and marketing expenses				(139,266)
Administrative expenses				(311,538)
Research and development expenses				(29,305)
Impairment losses under ECL model				(2,755)
Change in fair value of convertible redeemable preferred shares				(2,168,069)
Other expenses				(1,676)
Finance costs				(1,879)
Share of profits and losses of an associate				(342)
Group's loss before tax				(2,516,810)

For the six months ended June 30, 2022

	Specialty Pharmacy Business	Physician Research Assistance Business	Health Insurance Services Business	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,646,388	149,154	92,110	1,887,652
Segment results	88,749	26,463	61,732	176,944
Reconciliation:				
Other income and gains				22,351
Selling and marketing expenses				(160,614)
Administrative expenses				(252,329)
Research and development expenses				(34,286)
Impairment losses under ECL model				(5,003)
Change in fair value of convertible redeemable preferred shares				(85,101)
Other expenses				(4,528)
Finance costs				(1,956)
Share of profits and losses of an associate				81
Group's loss before tax				(344,441)

Geographical information

Nearly all of the Group's non-current assets were located in Mainland China. Almost all of the revenue of the Group is derived from operations in the PRC during the Relevant Periods and the six months ended June 30, 2021. No geographical segment information in accordance with IFRS 8 *Operating Segments* is presented.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

4. SEGMENT INFORMATION—continued

Information about major customers

No information about major customers is presented as there was no single customer from which over 10% or more of the Group's revenue was derived during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022.

5. REVENUE

An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Types of goods or services					
Specialty Pharmacy Business	863,600	2,482,006	3,136,484	1,407,134	1,646,388
Physician Research Assistance Business	173,195	185,652	244,857	102,133	149,154
Health Insurance Services Business	2,216	31,989	92,589	40,777	92,110
Total revenue from contracts with customers	1,039,011	2,699,647	3,473,930	1,550,044	1,887,652
Timing of revenue recognition					
Recognized at a point in time	865,816	2,513,995	3,229,073	1,447,911	1,738,498
Recognized over time	173,195	185,652	244,857	102,133	149,154
Total revenue from contracts with customers	1,039,011	2,699,647	3,473,930	1,550,044	1,887,652

The following table shows the amounts of revenue recognized in the Relevant Periods and the six months ended June 30, 2021 that were included in the contract liabilities at the beginning of the Relevant Periods and the six months ended June 30, 2021:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue recognized that was included in contract liabilities at the beginning of the reporting period:					
Specialty Pharmacy Business	105	1,481	2,392	2,392	5,954
Physician Research Assistance Business	19,371	39,880	57,572	30,931	77,068
Health Insurance Services Business	8	151	17	17	—
	19,484	41,512	59,981	33,340	83,022

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

5. REVENUE—continued

An analysis of revenue is as follows—continued:

Revenue from contracts with customers—continued

(b) Performance obligations

The aggregated amounts of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) are RMB487 million, RMB683 million, RMB992 million and RMB1,071 million as at December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as at the end of each of the Relevant Periods will be recognized as revenue within four years from the reporting date.

6. OTHER INCOME AND GAINS

An analysis of other income and gains is as follows:

	Year ended December 31,	Year ended December 31,	Year ended December 31,	Six months ended June 30,	Six months ended June 30,
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Other income					
Government grants*	55	24,236	9,219	1,650	2,472
Bank interest income	1,259	1,136	10,370	7,231	8,206
Gains					
Foreign exchange differences, net	600	—	3,952	4,004	8
Gains on financial assets at FVTPL	4,356	8,779	25,658	5,600	10,260
Gains on disposal of property, plant and equipment, net	—	23	—	—	—
Gains on lease termination, net	43	—	365	159	331
Others	691	634	1,505	894	1,074
Other income and gains	7,004	34,808	51,069	19,538	22,351

* Government grants related to income that is received or 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 recognized in profit or loss in the period upon actual receipt.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Cost of inventories sold	814,045	2,342,212	2,942,987	1,319,118	1,554,998
Cost of services provided	143,162	170,575	247,494	112,444	155,710
Depreciation of property, plant and equipment (note 15)*	8,331	13,563	14,316	7,232	6,693
Depreciation of right-of-use assets (note 17(a))*	20,119	28,746	32,432	17,036	15,590
Amortization of other intangible assets (note 16)*	1,557	5,402	7,134	3,186	4,187
Government grants	(55)	(24,236)	(9,219)	(1,650)	(2,472)
Bank interest income	(1,259)	(1,136)	(10,370)	(7,231)	(8,206)
Foreign exchange difference, net	(600)	12	(3,952)	(4,004)	(8)
Impairment losses under ECL model	1,845	5,331	6,407	2,755	5,003
Auditor's remuneration of subsidiaries	116	584	200	188	44
Expense relating to short-term leases	1,520	1,769	3,265	1,880	1,829
Expense relating to leases of low-value assets	2,642	2,235	2,733	1,204	1,302
Gains on financial assets at FVTPL	(4,356)	(8,779)	(25,658)	(5,600)	(10,260)
Loss/(gain) on disposal of property, plant and equipment	19	(23)	77	18	7
Listing expense	—	—	28,783	8,761	12,114
	987,086	2,536,255	3,236,629	1,455,337	1,736,531
Staff cost (excluding directors' and chief executive's remuneration):					
—Wages and salaries	310,912	404,800	581,953	268,469	321,186
—Pension scheme contributions	29,452	8,773	42,875	21,386	25,968
—Share-based payment compensation	20,509	67,285	181,033	94,142	63,274

* The depreciation of plant and equipment, depreciation of right-of-use assets and amortization of other intangible assets for the Relevant Periods and the six months ended June 30, 2021 are set out in "Administrative expenses" and "Selling and marketing expenses" in the consolidated statements of profit or loss and other comprehensive income.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

8. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest on lease liabilities (note 17(b))	2,877	3,527	3,688	1,879	1,956

9. OTHER EXPENSES

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Impairment losses of inventories	61	3,279	2,389	1,447	2,699
Loss on disposal of property, plant and equipment	19	—	77	18	7
Donations to not-for-profit organisations	50	2,122	—	—	500
Foreign exchange difference, net	—	12	—	—	—
Others	126	403	655	211	1,322
	256	5,816	3,121	1,676	4,528

10. DIRECTORS' REMUNERATION

Directors' remuneration for the Relevant Periods and the six months ended June 30, 2021, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits in kind	5,544	5,386	3,295	1,517	1,516
Performance-related bonuses	100	—	—	—	—
Share-based payment compensation	1,229	46,710	117,649	49,825	42,388
Pension scheme contributions	177	28	85	42	43
	7,050	52,124	121,029	51,384	43,947

During the Relevant Periods, options were granted to directors of the Company in respect of their services to the Group, further details of which are set out in note 34 to the Historical Financial Information. The fair value of such share option award, which has been recognized in profit or loss

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. DIRECTORS' REMUNERATION—continued

immediately upon the date of grant or over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the six months ended June 30, 2021 is set out in the above directors' remuneration disclosures.

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2019						
Chief executive and executive directors:						
Mr. Ma Xuguang (Note (a))	—	1,235	—	—	29	1,264
Mr. Li Ji (Note (b))	—	1,277	—	—	52	1,329
Executive directors:						
Mr. Li Dayong (Note (c))	—	762	—	238	38	1,038
Mr. Zhong Nengcong (Note (d))	—	1,146	50	451	24	1,671
Mr. Mou Jian (Note (e))	—	1,124	50	540	34	1,748
Non-executive directors:						
Ms. Lin Rui (Note (f))	—	—	—	—	—	—
Mr. Mu Yifei (Note (g))	—	—	—	—	—	—
Mr. Zhang Sai (Note (h))	—	—	—	—	—	—
Mr. Zhou Xuan (Note (i))	—	—	—	—	—	—
Mr. Yao Leiwen (Note (j))	—	—	—	—	—	—
	—	5,544	100	1,229	177	7,050
Year ended December 31, 2020						
Chief executive and executive directors:						
Mr. Ma Xuguang (Note (a))	—	1,752	—	—	19	1,771
Mr. Li Ji (Note (b))	—	1,528	—	35,701	4	37,233
Executive directors:						
Mr. Zhong Nengcong (Note (d))	—	1,087	—	6,204	2	7,293
Mr. Mou Jian (Note (e))	—	1,019	—	4,805	3	5,827
Non-executive directors:						
Ms. Lin Rui (Note (f))	—	—	—	—	—	—
Mr. Zhang Sai (Note (h))	—	—	—	—	—	—
Mr. Zhou Xuan (Note (i))	—	—	—	—	—	—
Mr. Yao Leiwen (Note (j))	—	—	—	—	—	—
Mr. Zhang Ziquan (Note (k))	—	—	—	—	—	—
	—	5,386	—	46,710	28	52,124
Year ended December 31, 2021						
Chief executive and executive directors:						
Mr. Ma Xuguang (Note (a))	—	1,755	—	30,503	30	32,288
Mr. Li Ji (Note (b))	—	1,540	—	87,146	55	88,741
Non-executive directors:						
Ms. Lin Rui (Note (f))	—	—	—	—	—	—
Mr. Yao Leiwen (Note (j))	—	—	—	—	—	—
Mr. Zhang Ziquan (Note (k))	—	—	—	—	—	—
	—	3,295	—	117,649	85	121,029

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

10. DIRECTORS' REMUNERATION—continued

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based payment compensation	Pension scheme contributions	Total remuneration
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended June 30, 2021 (unaudited)						
Chief executive and executive directors:						
Mr. Ma Xuguang (Note (a))	—	811	—	6,757	15	7,583
Mr. Li Ji (Note (b))	—	706	—	43,068	27	43,801
Non-executive directors:						
Ms. Lin Rui (Note (f))	—	—	—	—	—	—
Mr. Yao Leiwen (Note (j))	—	—	—	—	—	—
Mr. Zhang Ziquan (Note (k))	—	—	—	—	—	—
	—	1,517	—	49,825	42	51,384
Six months ended June 30, 2022						
Chief executive and executive directors:						
Mr. Ma Xuguang (Note (a))	—	815	—	14,820	15	15,650
Mr. Li Ji (Note (b))	—	701	—	27,568	28	28,297
Non-executive directors:						
Mr. Yao Leiwen (Note (j))	—	—	—	—	—	—
Mr. Zhang Ziquan (Note (k))	—	—	—	—	—	—
	—	1,516	—	42,388	43	43,947

Notes:

(a) Mr. Ma Xuguang was appointed as an executive director of the Company, chairman of the Board and chief executive officer with effect from May 19, 2015.

(b) Mr. Li Ji was appointed as an executive director of the Company and president with effect from August 17, 2015.

(c) Mr. Li Dayong was appointed as an executive director of the Company with effect from June 15, 2016 and was removed from the list of the directors of the Company on October 29, 2019 due to his physical condition. Mr. Li Dayong has confirmed that there had been no disagreement between him and the Company during his tenure as a director of the Company.

(d) Mr. Zhong Nengcong was appointed as an executive director of the Company with effect from August 10, 2018 and was removed from the list of the directors of the Company on December 11, 2020. Mr. Zhong Nengcong's remuneration was RMB146,000 after he was removed from the list of the directors of the Company in December 2020.

(e) Mr. Mou Jian was appointed as an executive director of the Company with effect from December 1, 2018 and was removed from the list of the directors of the Company on December 11, 2020. Mr. Mou Jian's remuneration was RMB136,000 after he was removed from the list of the directors of the Company in December 2020.

(f) Ms. Lin Rui was appointed as a non-executive director of the Company with effect from August 17, 2015 and was removed from the list of the directors of the Company on June 11, 2021.

(g) Mr. Mu Yifei was appointed as a non-executive director of the Company with effect from June 15, 2016 and was removed from the list of the directors of the Company on October 29, 2019.

(h) Mr. Zhang Sai was appointed as a non-executive director of the Company with effect from August 10, 2018 and was removed from the list of the directors of the Company on December 11, 2020.

(i) Mr. Zhou Xuan was appointed as a non-executive director of the Company with effect from December 1, 2018 and was removed from the list of the directors of the Company on December 11, 2020.

(j) Mr. Yao Leiwen was appointed as a director of the Company with effect from October 29, 2019 and was re-designated as a non-executive director of the Company in July 2021.

(k) Mr. Zhang Ziquan was appointed as a director of the Company with effect from December 11, 2020 and was re-designated as a non-executive director of the Company in July 2021.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2021 and 2022 included nil, three, two, one and two directors of the

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

11. FIVE HIGHEST PAID EMPLOYEES—continued

Company, respectively, details of whose remuneration are set out in Note 10 to the Historical Financial Information above. Details of the remuneration for the five highest paid employees during the Relevant Periods and the six months ended June 30, 2021 are as follows:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and benefits in kind	4,745	6,925	7,401	3,479	3,455
Performance-related bonuses	715	891	166	167	166
Share-based payment compensation	3,719	96,122	225,501	106,190	77,521
Pension scheme contributions	102	13	166	82	88
	9,281	103,951	233,234	109,918	81,230

The emoluments of the five highest paid individuals were within the following bands:

	Number of employees				
	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
HK$110,000,001 to HK$110,500,000	—	—	1	—	—
HK$106,500,001 to HK$107,000,000	—	—	1	—	—
HK$61,500,001 to HK$62,000,000	—	—	—	1	—
HK$52,500,001 to HK$53,000,000	—	—	—	1	—
HK$50,500,001 to HK$51,000,000	—	1	—	—	—
HK$41,500,001 to HK$42,000,000	—	1	—	—	—
HK$38,500,001 to HK$39,000,000	—	—	1	—	—
HK$34,000,001 to HK$34,500,000	—	—	—	—	1
HK$30,000,001 to HK$30,500,000	—	—	—	—	1
HK$18,500,001 to HK$19,000,000	—	—	—	—	1
HK$15,500,001 to HK$16,000,000	—	—	1	—	—
HK$9,500,001 to HK$10,000,000	—	—	1	—	—
HK$9,000,001 to HK$9,500,000	—	1	—	1	1
HK$8,000,001 to HK$8,500,000	—	1	—	—	—
HK$6,500,001 to HK$7,000,000	—	1	—	—	—
HK$5,000,001 to HK$5,500,000	—	—	—	—	1
HK$4,500,001 to HK$5,000,000	—	—	—	1	—
HK$3,000,001 to HK$3,500,000	—	—	—	1	—
HK$2,000,001 to HK$2,500,000	5	—	—	—	—

During the Relevant Periods, share options were granted to certain highest paid employees in respect of their services and contributions to the Group, further details of which are set out in note 34 to the Historical Financial Information. The fair value of such options, which has been recognized in profit or loss immediately upon the date of grant or over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the Relevant Periods and the six months ended June 30, 2021 is included in the above highest paid employees' remuneration disclosures.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

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 gazette on the following day.

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group's Hong Kong subsidiaries with estimated assessable profits for its annual reporting periods ended on or after April 1, 2018.

Mainland China

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25% during the Relevant Periods and the six months ended June 30, 2021 unless subject to tax concession set out below.

A reconciliation of the tax expense applicable to loss before tax at the statutory rate to the tax expense at the effective tax rate is as follows:

	Year ended December 31,	Year ended December 31,	Year ended December 31,	Six months ended June 30,	Six months ended June 30,
	2019	2020	2021	2021	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss before tax	(596,020)	(1,040,850)	(3,747,678)	(2,516,810)	(344,441)
Tax at the applicable tax rate of 25%	(149,005)	(260,213)	(936,920)	(629,203)	(86,110)
Expenses not deductible for tax	18,337	38,365	89,339	34,598	31,805
Different tax rates enacted by local authority	73,314	151,197	762,107	543,438	21,275
Deductible temporary differences and tax losses not recognized or utilized	57,405	71,830	86,299	51,129	34,576
Tax charge at the Group's effective tax rate for the year/period	51	1,179	825	(38)	1,546

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

12. INCOME TAX—continued

Deferred tax assets have not been recognized in respect of the following items:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Tax losses	367,716	645,093	991,078	836,439	1,123,404
Deductible temporary differences	4,782	14,726	13,935	27,894	19,915
	372,498	659,819	1,005,013	864,333	1,143,319

The Group has accumulated tax losses of RMB367,716,000, RMB645,093,000, RMB991,078,000 and RMB1,123,404,000 as at the end of each of the Relevant Periods. The tax losses in the PRC can be carried forward for five years to offset future taxable profit. The tax losses of those companies in the PRC will expire in one to five years for offsetting against taxable profits.

Deferred tax assets have not been recognized in respect of these losses as it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

13. DIVIDEND

No dividend has been paid or declared by the Company during the Relevant Periods.

14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods and the six months ended June 30, 2021. The calculation of weighted average number of ordinary shares has excluded the treasury shares held in trust of the Company as detailed in note 32. As the impact of the share option scheme and the conversion of preferred shares had an anti-dilutive effect on the basic loss per share amounts presented, no adjustment has been made on the basic loss per share amounts presented for the Relevant Periods and the six months ended June 30, 2021.

The calculation of basic loss per share is based on:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Loss					
Loss attributable to ordinary equity holders of the parent (RMB'000)	(594,595)	(1,042,781)	(3,740,455)	(2,510,065)	(346,327)
Ordinary shares					
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	100,000,000	100,000,000	99,449,315	99,906,077	99,000,000
Loss per share (RMB per share)	(5.95)	(10.43)	(37.61)	(25.12)	(3.50)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. PROPERTY, PLANT AND EQUIPMENT

	Electronic equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2019						
At January 1, 2019:						
Cost	3,583	3,480	—	17,077	1,695	25,835
Accumulated depreciation	(1,603)	(220)	—	(2,455)	—	(4,278)
Net carrying amount	1,980	3,260	—	14,622	1,695	21,557
At January 1, 2019, net of accumulated depreciation	1,980	3,260	—	14,622	1,695	21,557
Additions	1,371	4,861	155	7,173	1,265	14,825
Disposals	(29)	—	—	—	—	(29)
Transfer	—	—	—	668	(668)	—
Acquisition of subsidiaries (notes 35, 36)	248	191	145	532	—	1,116
Depreciation provided during the year	(922)	(731)	(32)	(6,646)	—	(8,331)
At December 31, 2019, net of accumulated depreciation	2,648	7,581	268	16,349	2,292	29,138
At December 31, 2019:						
Cost	5,464	9,935	507	25,780	2,292	43,978
Accumulated depreciation	(2,816)	(2,354)	(239)	(9,431)	—	(14,840)
Net carrying amount	2,648	7,581	268	16,349	2,292	29,138

	Electronic equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2020						
At January 1, 2020:						
Cost	5,464	9,935	507	25,780	2,292	43,978
Accumulated depreciation	(2,816)	(2,354)	(239)	(9,431)	—	(14,840)
Net carrying amount	2,648	7,581	268	16,349	2,292	29,138
At January 1, 2020, net of accumulated depreciation	2,648	7,581	268	16,349	2,292	29,138
Additions	1,153	1,370	332	8,413	—	11,268
Disposals	(77)	(240)	—	—	—	(317)
Transfer	—	—	—	2,292	(2,292)	—
Acquisition of subsidiaries (note 36)	134	—	—	—	—	134
Depreciation provided during the year	(1,202)	(1,711)	(147)	(10,503)	—	(13,563)
At December 31, 2020, net of accumulated depreciation	2,656	7,000	453	16,551	—	26,660
At December 31, 2020:						
Cost	6,905	11,066	839	36,485	—	55,295
Accumulated depreciation	(4,249)	(4,066)	(386)	(19,934)	—	(28,635)
Net carrying amount	2,656	7,000	453	16,551	—	26,660

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

15. PROPERTY, PLANT AND EQUIPMENT—continued

	Electronic equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
December 31, 2021						
At January 1, 2021:						
Cost	6,905	11,066	839	36,485	—	55,295
Accumulated depreciation	(4,249)	(4,066)	(386)	(19,934)	—	(28,635)
Net carrying amount	2,656	7,000	453	16,551	—	26,660
At January 1, 2021, net of accumulated depreciation	2,656	7,000	453	16,551	—	26,660
Additions	1,729	2,089	347	10,583	341	15,089
Disposals	(99)	(278)	(248)	(2,234)	—	(2,859)
Acquisition of subsidiaries (notes 35, 36)	110	8	—	—	—	118
Depreciation provided during the year	(1,495)	(2,003)	(186)	(10,632)	—	(14,316)
At December 31, 2021, net of accumulated depreciation	2,901	6,816	366	14,268	341	24,692
At December 31, 2021:						
Cost	7,234	12,778	936	42,975	341	64,264
Accumulated depreciation	(4,333)	(5,962)	(570)	(28,707)	—	(39,572)
Net carrying amount	2,901	6,816	366	14,268	341	24,692

	Electronic equipment	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
June 30, 2022						
At January 1, 2022:						
Cost	7,234	12,778	936	42,975	341	64,264
Accumulated depreciation	(4,333)	(5,962)	(570)	(28,707)	—	(39,572)
Net carrying amount	2,901	6,816	366	14,268	341	24,692
At January 1, 2022, net of accumulated depreciation	2,901	6,816	366	14,268	341	24,692
Additions	727	292	87	1,935	725	3,766
Disposals	(52)	(194)	(2)	—	—	(248)
Transfer	—	—	—	670	(670)	—
Depreciation provided during the period	(628)	(1,089)	(82)	(4,894)	—	(6,693)
At June 30, 2022, net of accumulated depreciation	2,948	5,825	369	11,979	396	21,517
At June 30, 2022:						
Cost	7,810	12,815	1,021	45,579	396	67,621
Accumulated depreciation	(4,862)	(6,990)	(652)	(33,600)	—	(46,104)
Net carrying amount	2,948	5,825	369	11,979	396	21,517

At the end of each of the Relevant Periods, no property, plant and equipment of the Group was pledged.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

16. OTHER INTANGIBLE ASSETS

	Software	Licenses	Total
	RMB'000	*RMB'000*	*RMB'000*
December 31, 2019			
Cost at January 1, 2019, net of accumulated amortization	591	2,517	3,108
Additions	641	—	641
Acquisition of subsidiaries (notes 35, 36)	45	43,458	43,503
Amortization during the year	(313)	(1,244)	(1,557)
At December 31, 2019	964	44,731	45,695
At December 31, 2019			
Cost	1,382	46,131	47,513
Accumulated amortization	(418)	(1,400)	(1,818)
Net carrying amount	964	44,731	45,695
December 31, 2020			
Cost at January 1, 2020, net of accumulated amortization	964	44,731	45,695
Additions	2,722	—	2,722
Acquisition of subsidiaries (note 36)	—	4,356	4,356
Amortization during the year	(555)	(4,847)	(5,402)
At December 31, 2020	3,131	44,240	47,371
At December 31, 2020			
Cost	4,097	50,487	54,584
Accumulated amortization	(966)	(6,247)	(7,213)
Net carrying amount	3,131	44,240	47,371
December 31, 2021			
Cost at January 1, 2021, net of accumulated amortization	3,131	44,240	47,371
Additions	9,662	—	9,662
Acquisition of subsidiaries (notes 35, 36)	5	15,521	15,526
Disposals	(16)	(3,884)	(3,900)
Amortization during the year	(1,603)	(5,531)	(7,134)
At December 31, 2021	11,179	50,346	61,525
At December 31, 2021			
Cost	13,488	61,825	75,313
Accumulated amortization	(2,309)	(11,479)	(13,788)
Net carrying amount	11,179	50,346	61,525
June 30, 2022			
Cost at January 1, 2022, net of accumulated amortization	11,179	50,346	61,525
Additions	2,717	—	2,717
Amortization during the period	(1,096)	(3,091)	(4,187)
At June 30, 2022	12,800	47,255	60,055
At June 30, 2022			
Cost	16,205	61,826	78,031
Accumulated amortization	(3,405)	(14,571)	(17,976)
Net carrying amount	12,800	47,255	60,055

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. LEASES

The Group as a lessee

During the Relevant Periods, the Group entered into certain long-term lease contracts for buildings which generally have lease terms between one and nine years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Buildings
	RMB'000
As at January 1, 2019	46,623
Additions	40,124
Acquisition of subsidiaries (notes 35, 36)	4,948
Termination	(1,981)
Depreciation charge	(20,119)
As at December 31, 2019	69,595

	Buildings
	RMB'000
As at January 1, 2020	69,595
Additions	20,668
Acquisition of subsidiaries (note 36)	1,732
Depreciation charge	(28,746)
As at December 31, 2020	63,249

	Buildings
	RMB'000
As at January 1, 2021	63,249
Additions	64,033
Acquisition of subsidiaries (notes 35, 36)	6,320
Termination	(3,211)
Disposal of subsidiaries	(8,851)
Depreciation charge	(32,432)
As at December 31, 2021	89,108

	Buildings
	RMB'000
As at January 1, 2022	89,108
Additions	11,199
Termination	(3,037)
Depreciation charge	(15,590)
As at June 30, 2022	81,680

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

17. LEASES—continued

The Group as a lessee—continued

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount at the beginning of the year/period	42,971	66,392	63,587	87,018
New leases	40,124	20,668	64,033	11,199
Acquisition of subsidiaries (notes 35, 36)	4,734	2,146	6,261	—
Accretion of interest recognized during the year/period	2,877	3,527	3,688	1,956
Payments	(22,290)	(29,146)	(38,221)	(14,186)
Termination	(2,024)	—	(3,576)	(3,368)
Disposal of subsidiaries	—	—	(8,754)	—
Carrying amount at the end of the year/period	66,392	63,587	87,018	82,619
Analyzed into:				
Current portion	21,428	26,682	34,123	34,931
Non-current portion	44,964	36,905	52,895	47,688

The maturity analysis of lease liabilities is disclosed in note 43 to the Historical Financial Information.

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest on lease liabilities	2,877	3,527	3,688	1,956
Depreciation charge of right-of-use assets	20,119	28,746	32,432	15,590
Gains on lease termination, net	(43)	—	(365)	(331)
Expense relating to short-term leases*	1,520	1,769	3,265	1,829
Expense relating to leases of low-value assets*	2,642	2,235	2,733	1,302
Total amount recognized in profit or loss	27,115	36,277	41,753	20,346

* Included in "Administrative expenses" and "Selling and marketing expenses" in the consolidated statements of profit or loss and other comprehensive income.

(d) The total cash outflow for leases is set out in note 38 to the Historical Financial Information.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. GOODWILL

	As at December 31, 2019	As at December 31, 2020	As at December 31 2021	As at June 30 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost				
At the beginning of year/period	—	42,074	42,074	79,823
Acquisition of subsidiaries (note 35)	42,074	—	37,749	—
At the end of year/period	42,074	42,074	79,823	79,823
Carrying amount				
At the end of year/period	42,074	42,074	79,823	79,823

On July 31, 2019, goodwill of RMB13,374,000 arose from the acquisition of Taiyuan Taikang Xinte Pharmacy Co., Ltd. 太原泰康新特大藥房有限公司 ("Taiyuan Taikang") as detailed in note 35 to the Historical Financial Information.

On November 30, 2019, goodwill of RMB28,700,000 arose from the acquisition of Shenyang Sanheyuan Pharmacy Co., Ltd. 瀋陽三合緣藥房有限公司 ("Shenyang Sanheyuan") as detailed in note 35 to the Historical Financial Information.

On December 31, 2021, goodwill of RMB37,749,000 arose from the acquisition of Beijing Renbo Pharmacy Co., Ltd. 北京仁博大藥房有限責任公司 ("Beijing Renbo") as detailed in note 35 to the Historical Financial Information.

The carrying amounts of goodwill allocated to these cash-generating units (the "CGU"s) are as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Taiyuan Taikang	13,374	13,374	13,374	13,374
Shenyang Sanheyuan	28,700	28,700	28,700	28,700
Beijing Renbo	—	—	37,749	37,749
	42,074	42,074	79,823	79,823

Goodwill is tested by management for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The acquisition date of Beijing Renbo was December 31, 2021, thus no further impairment assessment for Beijing Renbo was performed by management as of December 31, 2021. The recoverable amount of the CGUs has been determined based on a value in use ("VIU") calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a five-year period. Other key assumptions for the VIU calculation relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on management's expectations for the market development.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. GOODWILL—continued

The recoverable amount of the CGUs exceeding their carrying amount is as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Taiyuan Taikang	2,451	4,483	5,547	3,428
Shenyang Sanheyuan	6,223	11,273	5,377	5,367
Beijing Renbo	—	—	—	3,926
	8,674	15,756	10,924	12,721

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	Taiyuan Taikang	Shenyang Sanheyuan	Beijing Renbo
December 31, 2019			
Pre-tax discount rate	22.16%	22.19%	N/A
Revenue (% compound growth rate)	18.50%	16.27%	N/A
Terminal growth rate	3.00%	3.00%	N/A
December 31, 2020			
Pre-tax discount rate	22.73%	22.71%	N/A
Revenue (% compound growth rate)	14.23%	12.29%	N/A
Terminal growth rate	3.00%	3.00%	N/A
December 31, 2021			
Pre-tax discount rate	23.06%	22.50%	N/A
Revenue (% compound growth rate)	14.67%	13.23%	N/A
Terminal growth rate	2.30%	2.30%	N/A
June 30, 2022			
Pre-tax discount rate	22.82%	22.66%	21.73%
Revenue (% compound growth rate)	14.26%	13.21%	12.55%
Terminal growth rate	2.30%	2.30%	2.30%

Pre-tax discount rate—The discount rate used is before tax and reflects specific risks relating to the relevant units.

Revenue growth rate—The basis used to determine the budgeted revenue is based on management's expectation and also expectation of the future market.

Terminal growth rate—The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

18. GOODWILL—continued

Management of the Company has performed sensitivity test by decreasing 1% of expected revenue, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which each CGU's recoverable amount above its carrying amount (headroom) are as below:

	Taiyuan Taikang	Shenyang Sanheyuan	Beijing Renbo
December 31, 2019			
Headroom	2,451	6,223	N/A
Impact by decreasing expected revenue	(297)	(672)	N/A
Impact by decreasing terminal growth rate	(1,424)	(3,205)	N/A
Impact by increasing pre-tax discount rate	(2,016)	(4,522)	N/A
December 31, 2020			
Headroom	4,483	11,273	N/A
Impact by decreasing expected revenue	(504)	(1,459)	N/A
Impact by decreasing terminal growth rate	(1,335)	(3,069)	N/A
Impact by increasing pre-tax discount rate	(1,937)	(4,430)	N/A
December 31, 2021			
Headroom	5,547	5,377	N/A
Impact by decreasing expected revenue	(496)	(1,403)	N/A
Impact by decreasing terminal growth rate	(1,292)	(3,038)	N/A
Impact by increasing pre-tax discount rate	(2,034)	(4,874)	N/A
June 30, 2022			
Headroom	3,428	5,367	3,926
Impact by decreasing expected revenue	(548)	(1,362)	(71)
Impact by decreasing terminal growth rate	(1,353)	(3,216)	(2,438)
Impact by increasing pre-tax discount rate	(2,035)	(5,048)	(3,479)

Except for these, any reasonable possible changes in the other assumptions used in the value in use calculation would not affect management's view on impairment as at the end of each of the Relevant Periods.

Based on the impairment assessment conducted by the Group utilizing the above key assumptions, the recoverable amount of the CGUs estimated from the cash flow forecast exceeded the carrying amount of goodwill and no impairment was considered necessary.

The values assigned to the key assumptions on discount rate and growth rate are consistent with external information sources.

19. INVESTMENTS IN SUBSIDIARIES

The Company

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investment in subsidiaries	1,237,029	2,730,550	3,546,313	3,609,588

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

19. INVESTMENTS IN SUBSIDIARIES—continued

The investment cost in subsidiaries includes capital contribution by the Company to the subsidiaries and the share-based payments in respect of the share options granted by the Company to certain employees of the subsidiaries for employees' service rendered to the subsidiaries under the Company's 2017 Share Option Plan as set out in note 34 to the Historical Financial Information. Since the Company grants options award directly to the employees of subsidiaries and settles it in its own equity, the share-based payment compensation related to those employees of subsidiaries are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

20. FINANCIAL ASSETS AT FVTPL

The Group

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Monetary fund	84,637	3	—	—
Wealth management products	306,638	38,057	1,067,321	—
	391,275	38,060	1,067,321	—

The Company

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Monetary fund	76,020	3	—	—

As at December 31, 2019, 2020 and 2021, the financial assets at FVTPL represented floating return monetary fund and wealth management products issued by certain banks, with expected return rates ranging from 1.40% to 4.90% per annum.

21. INVENTORIES

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trading merchandise	211,247	283,271	271,506	282,434
Less: Provision for impairment	(61)	(3,340)	(2,471)	(3,340)
	211,186	279,931	269,035	279,094

The cost of inventories included in cost of sales as at December 31, 2019, 2020 and 2021 and June 30, 2022 amounted to RMB814,045,000, RMB2,342,212,000, RMB2,942,987,000 and RMB1,554,998,000.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

21. INVENTORIES—continued

Movements in provision for impairment of inventories are as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
As at January 1	—	61	3,340	2,471
Provision for the year/period	61	3,279	2,389	2,699
Write-off for the year/period	—	—	(3,258)	(1,830)
As at December 31/June 30	61	3,340	2,471	3,340

22. CASH HELD ON BEHALF OF CLIENTS

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash held on behalf of clients	8,179	145,624	166,179	288,131

The balance represents the premiums collected by the Group on behalf of insurance companies from the insurance consumers in a fiduciary capacity until it is disbursed to the insurance carriers.

23. TRADE AND BILLS RECEIVABLES

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	RMB'000	RMB'000	RMB'000
Bills receivables	—	—	4,607	1,295
Trade receivables	40,112	50,358	175,261	269,759
Less: Allowance for credit losses	(1,395)	(5,756)	(8,673)	(13,019)
	38,717	44,602	171,195	258,035

The Group's trading terms with its customers are mainly on credit, except for individual customers, where payment in advance is normally required. The credit period is generally from one month to two months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade and bills receivables balances. The balances of trade and bills receivables are non-interest-bearing.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

23. TRADE AND BILLS RECEIVABLES—continued

An aging analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the invoice date and net of allowance for expected credit losses, is as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	16,751	27,285	128,512	170,226
1 to 2 months	15,880	9,233	25,120	31,945
2 to 6 months	5,538	5,108	11,005	46,076
6 to 12 months	548	2,976	6,558	9,487
Over 12 months	—	—	—	301
	38,717	44,602	171,195	258,035

The movements in the allowance for expected credit losses of trade receivables were detailed in note 24 to the Historical Financial Information.

24. CONTRACT ASSETS

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract assets	51,873	75,906	107,013	115,893
Less: Allowance for credit losses	(1,498)	(2,468)	(3,747)	(5,166)
	50,375	73,438	103,266	110,727

The contract assets primarily arise from the Group's Physician Research Assistance Business segment, representing the Group's right to consideration for services completed and not billed because the rights are conditioned upon the Group's future performance in achieving specified milestones as stipulated in the contracts. The contract assets are transferred to trade receivables when the rights become unconditional. The increase in contract assets in years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022 was the result of the increase in the ongoing service of Physician Research Assistance Business.

The movements in the allowance for expected credit losses on trade receivables and contract assets are as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	1,048	2,893	8,224	12,420
Impairment losses, net of reversal	1,845	5,331	4,196	5,765
At end of year/period	2,893	8,224	12,420	18,185

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24. CONTRACT ASSETS—continued

The increase in the allowance for expected credit losses of trade receivables and contract assets for the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022 was due to the following significant changes in the gross carrying amount:

(a) Increase/(decrease) in the allowance for expected credit losses of RMB1,758,000, RMB783,000, RMB(1,267,000) and RMB(1,099,000) at December 31, 2019, 2020 and 2021 and June 30, 2022 as a result of a net increase/(decrease) in the gross carrying amount after the settlement of trade receivables and origination of new trade receivables and contract assets;

(b) Increase in the allowance for expected credit losses of RMB87,000, RMB4,548,000, RMB5,463,000 and RMB6,864,000 at December 31, 2019, 2020 and 2021 and June 30, 2022 as a result of an increase in trade receivables with ageing over 12 months.

The Group determines the ECLs on these items by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables and status of underlying projects related to the contract assets, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table details the risk profile of trade receivables and contract assets by aging presented based on invoice date at the end of each reporting period:

	As at December 31, 2019		
	Amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000	*%*	*RMB'000*
Within 1 month (note a)	69,054	2.79%	1,928
1 to 2 months	16,516	3.85%	636
2 to 6 months	5,652	2.02%	114
6 to 12 months	676	18.93%	128
Over 12 months	87	100.00%	87
	91,985		2,893

	As at December 31, 2020		
	Amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000	*%*	*RMB'000*
Within 1 month (note a)	103,941	3.10%	3,217
1 to 2 months	9,498	2.79%	265
2 to 6 months	5,230	2.33%	122
6 to 12 months	3,047	2.36%	72
Over 12 months	4,548	100.00%	4,548
	126,264		8,224

	As at December 31, 2021		
	Amount	**Expected credit loss rate**	**Expected credit losses**
	RMB'000	*%*	*RMB'000*
Within 1 month (note a)	233,011	2.51%	5,841
1 to 2 months	25,718	2.33%	598
2 to 6 months	11,269	2.33%	263
6 to 12 months	6,813	3.74%	255
Over 12 months	5,463	100.00%	5,463
	282,274		12,420

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

24. CONTRACT ASSETS—continued

	As at June 30, 2022		
	Amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
Within 1 month (note a)	289,029	3.24%	9,371
1 to 2 months	32,584	1.96%	639
2 to 6 months	47,152	2.28%	1,076
6 to 12 months	9,722	2.42%	235
Over 12 months	7,165	95.80%	6,864
	385,652		18,185

Note a: The contract assets were presented in the aging bucket of "within 1 month" since they primarily relate to the Group's right to the consideration for work completed but not yet billed.

The following table details the risk profile of trade receivables and contract assets by class of credit rating:

	As at December 31, 2019		
	Amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
State-owned enterprises	11,441	0.05%	6
Listed companies	64,428	2.54%	1,638
Non-listed private companies and others	16,116	7.75%	1,249
	91,985		2,893

	As at December 31, 2020		
	Amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
State-owned enterprises	11,136	0.04%	4
Listed companies	91,893	2.48%	2,276
Non-listed private companies and others	23,235	25.58%	5,944
	126,264		8,224

	As at December 31, 2021		
	Amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
State-owned enterprises	78,213	0.04%	28
Listed companies	158,933	2.43%	3,861
Non-listed private companies and others	45,128	18.90%	8,531
	282,274		12,420

	As at June 30, 2022		
	Amount	Expected credit loss rate	Expected credit losses
	RMB'000	*%*	*RMB'000*
State-owned enterprises	132,765	0.04%	57
Listed companies	176,598	2.98%	5,256
Non-listed private companies and others	76,289	16.87%	12,872
	385,652		18,185

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current:				
Rental deposits	3,973	5,395	8,159	8,391
Prepayments for purchase of property, plant and equipment	613	360	92	—
Prepayments for purchase of intangible assets	—	—	2,656	—
Deferred listing expenses	—	—	6,885	600
Prepayments for medicine (note a)	—	—	130,000	130,000
	4,586	5,755	147,792	138,991
Current:				
Price adjustment compensation (note b)	4,172	32,737	92,529	52,707
Fund receivable from external payment network providers (note c)	9,211	10,842	8,742	12,134
Value added tax recoverable	19,710	10,229	8,939	6,244
Prepayments	11,557	8,161	40,598	31,418
Staff advances	1,541	1,018	968	1,387
Withholding tax for employee income tax (note d)	—	2,981	—	—
Other receivables	4,678	6,969	10,782	25,151
Impairment allowance	—	—	(2,211)	(1,449)
	50,869	72,937	160,347	127,592

Note a: In January 2021, the Group entered into a distribution agreement with a third party supplier for distribution of certain imported medicine in mainland China through the Group's nationwide pharmacy network. Pursuant to the agreement, the Group made payments of RMB130 million to the third party supplier in January 2021 as deposits for the supply of the medicine for a period (the "Distribution Period") from January 2021 to June 2022, which had been further extended to January 2024 by a supplemental agreement entered into in July 2021. The deposit is expected to be settled by the supply of the medicine of equivalent value amounting to RMB130 million at the end of the Distribution Period. Subsequently to optimize working capital allocation of the Group, the Group entered into a second supplemental agreement with the third party supplier in October 2022. Pursuant to the second supplemental agreement, the deposit of RMB130 million was fully returned to the Group on October 27, 2022.

Note b: The balance mainly represents amounts due from pharmaceutical companies to compensate the Group for the reduced sales price of drugs sold in the Group's specialty pharmacies under the centralized procurement policies.

Note c: The balance represents the receivables from payment processors such as China UnionPay, WeChat and Alipay or aggregators that are cash due from them for clearing transactions. The cash was paid by individual customers of pharmacy stores through these payment processors or aggregators for selling medicines in specialty by the Group.

Note d: The balance represents the receivables from certain directors and employees in respect of withholding tax for employee individual income tax associated with share options paid on behalf of employee by the Group in 2020.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at December 31, 2019 and 2020, the loss allowance was

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

25. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS—continued

assessed to be minimal. The amount of allowance for expected credit losses related to receivable of price adjustment compensation as at December 31, 2021 and June 30, 2022 was RMB2,211,000 and RMB1,449,000, respectively.

26. TIME DEPOSITS, PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS

Time deposits

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Time deposits over three months*	5,000	5,048	5,048	5,097
Denominated in:				
RMB	5,000	5,048	5,048	5,097
	5,000	5,048	5,048	5,097

* Time deposits are made for varying periods of over three months but less than one year depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The time deposits are deposited with creditworthy banks with no recent history of default.

Pledged deposits

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Pledged deposits*	—	—	—	73,200
Denominated in:				
RMB	—	—	—	73,200
	—	—	—	73,200

* Pledged deposits are pledged for letters of credit.

Cash and cash equivalents

The Group

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash on hand	342	872	810	1,052
Cash at banks	198,768	639,722	535,039	1,365,371
Time deposits within three months	—	987,427	—	—
Cash and cash equivalents	199,110	1,628,021	535,849	1,366,423
Denominated in:				
RMB	93,410	1,113,817	483,973	1,322,459
USD	105,700	513,742	51,390	42,765
HK$	—	462	486	199
Total cash and bank balances	199,110	1,628,021	535,849	1,366,423

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

26. TIME DEPOSITS, PLEDGED DEPOSITS AND CASH AND CASH EQUIVALENTS—continued

Cash and cash equivalents—continued

The Company

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at banks	209	34	298	301
Cash and cash equivalents	209	34	298	301
Denominated in:				
RMB	—	—	114	114
USD	209	34	184	187
Total cash and bank balances	209	34	298	301

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

27. TRADE PAYABLES

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	160,612	230,464	237,155	317,629

An aging analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	147,192	212,868	185,322	269,987
1 to 3 months	10,943	14,356	31,386	39,923
3 to 6 months	918	1,944	16,710	3,204
Over 6 months	1,559	1,296	3,737	4,515
	160,612	230,464	237,155	317,629

Trade payables are non-interest-bearing and are normally settled within three months.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

28. OTHER PAYABLES AND ACCRUALS

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salary and welfare payables	53,397	62,359	95,845	89,328
Other taxes payable	7,113	17,977	16,684	20,351
Insurance premium payables (note a)	8,179	145,624	166,179	288,131
Accrued expenses	1,323	21,186	16,873	4,121
Payables arising from acquisition of subsidiaries (notes 35, 36)	24,598	930	17,778	200
Payables for intangible assets	—	335	7,821	388
Accrued listing expenses	—	—	15,096	16,178
Withholding tax payable for repurchase of convertible redeemable preferred shares (note 31)	—	—	22,953	22,953
Advance payments received for subscription of share options (note b)	—	—	7,114	8,073
Others	1,047	1,297	771	8,496
	95,657	249,708	367,114	458,219

Note a: The balance represents the premiums collected by the Group on behalf of insurance company from the insurance consumers in a fiduciary capacity until disbursed to the insurance carriers.

Note b: The amount represented payments received from employees for subscribing vested shares under the 2017 Share Option Plan (as defined in note 34 to the Historical Financial Information). As at June 30, 2022, these ordinary shares for these vested share options are yet to be legally registered and the subscriptions received from these individuals are recorded as advance payments.

Other payables are non-interest-bearing.

29. CONTRACT LIABILITIES

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities	59,614	105,884	167,285	166,291

Contract liabilities include advance payment of site management organization service and pharmaceutical products. The increase/(decrease) in contract liabilities in years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 was mainly due to the increase/(decrease) in advance payments received from customers in relation to provision of service of Physician Research Assistance Business at the end of each of the year or period.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

30. DEFERRED TAX LIABILITIES

	Fair value adjustments arising from business combinations
	RMB'000
As at January 1, 2018 and December 31, 2018	—
Business combinations (note 35)	1,535
Credited to the consolidated statements of profit or loss and other comprehensive income	(18)
At December 31, 2019	1,517
Credited to the consolidated statements of profit or loss and other comprehensive income	(154)
At December 31, 2020	1,363
Business combinations (note 35)	310
Credited to the consolidated statements of profit or loss and other comprehensive income	(154)
At December 31, 2021	1,519
Credited to the consolidated statements of profit or loss and other comprehensive income	(92)
At June 30, 2022	1,427

31. CONVERTIBLE REDEEMABLE PREFERRED SHARES

From August 2015 to June 2021, the Company had received several rounds of investments as follows:

In August 2015, the Company issued 20,000,000 first tranche of series A convertible redeemable preferred shares with par value of USD0.001 per share to several independent investors at a cash consideration of USD3,000,000 or USD0.1500 per share.

In March 2016, the Company issued 10,212,766 second tranche of series A convertible redeemable preferred shares with par value of USD0.001 per share (first and second tranches of series A convertible redeemable preferred shares collectively, "Series A Preferred Shares") to several independent investors at a cash consideration of USD2,000,000 or USD0.1958 per share. The price included the issue price of warrants to certain shareholders (Series A Warrants Holders") to purchase, at 85% of the subscription price per share for the Company's next round preference shares financing, up to such numbers of preference shares to be issued by the Company at the next round financing of total consideration of USD2,000,000.

In April 2016, the Company issued 11,883,282 series A-1 convertible redeemable preferred shares ("Series A-1 Preferred Shares") with par value of USD0.001 per share to several independent investors at a cash consideration of USD2,585,719 or USD 0.2176 per share.

In June 2016, the Company issued 55,113,685 first tranche of series B convertible redeemable preferred shares with par value of USD0.001 per share to several independent investors and Tencent (a major shareholder of the Company) at a cash consideration of USD20,000,000 or USD0.3629 per share.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

In June 2016, the Company issued 6,483,963 second tranche of series B convertible redeemable preferred shares with par value of USD0.001 per share (first and second tranches of series B convertible redeemable preferred shares collectively, "Series B Preferred Shares") to Series A Warrants Holders at a cash consideration of USD2,000,000 or USD0.3085 per share.

In January and February 2018, the Company issued 41,852,349 first tranche of series C convertible redeemable preferred shares with par value of USD0.001 per share to several independent investors at a cash consideration of USD21,208,459 or USD0.5067 per share. The price included the issue price of warrants to certain shareholders (Series C Warrants Holders") to purchase 14,192,597 second tranche of series C convertible redeemable preferred shares at an aggregate purchase price of USD7,192,024 or USD0.5067 per share to be issued by the Company.

In August 2018, the Company issued 16,219,634 second tranche of series C convertible redeemable preferred shares with par value of USD0.001 per share (first and second tranches of series C convertible redeemable preferred shares collectively, "Series C Preferred Shares") to Series C Warrants Holders or an independent investor at a cash consideration of USD8,219,215 or USD0.5067 per share.

In November 2018, the Company issued 80,367,102 series D convertible redeemable preferred shares with par value of USD0.001 per share ("Series D Preferred Shares") to several independent investors and Tencent at a cash consideration of USD54,000,000 or USD0.6719 per share.

In October 2019, the Company issued 86,584,964 series D+ convertible redeemable preferred shares with par value of USD0.001 per share ("Series D+ Preferred Shares") to several independent investors and Tencent at a cash consideration of USD81,500,000 or USD0.9413 per share.

In December 2020, the Company issued 156,659,688 first tranche of series E convertible redeemable preferred shares with par value of USD0.001 per share to several independent investors and Tencent at a cash consideration of USD245,000,000 or USD1.5639 per share. In January 2021, the Company issued 34,529,074 second tranche of series E convertible redeemable preferred shares with par value of USD0.001 per share to several independent investors at a cash consideration of USD54,000,000 or USD1.5639 per share (first and second tranches of series E convertible redeemable preferred shares collectively, "Series E Preferred Shares").

In June 2021, the Company issued 35,928,808 series F convertible redeemable preferred shares ("Series F Preferred Shares") with par value of USD0.001 per share to certain investors at a cash consideration of USD80,600,000 or USD2.243 per share.

Series A Preferred Shares, Series A-1 Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares, Series D+ Preferred Shares, Series E Preferred Shares and Series F Preferred Shares are collectively referred to as Preferred Shares.

Upon completion of Series F financing and according to the Memorandum and Articles of Association of the Company passed by the shareholders in June 2021, the key terms of Preferred Shares are summarized as follows:

(a) Conversion features

Each Preferred Share shall be convertible, at the option of the holder of the Preferred Shares at any time after the date of issuance, and without the payment of any additional consideration by the holder

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

(a) Conversion features—continued

of the Preferred Shares, into such number of fully paid ordinary shares as is determined by dividing the applicable original issue price for such series of Preferred Shares by the applicable conversion price for such series of Preferred Shares in effect at the time of conversion.

All outstanding Preferred Shares shall automatically be converted into ordinary shares based on the applicable then-effective conversion price upon (i) the closing of a qualified IPO, or (ii) upon the date specified by written requests of the holder of the majority of the then outstanding Preferred Shares, voting together as a single class on an as-converted basis.

The initial conversion price and conversion ratio is the stated issuance price of the Preferred Shares and on a one-for-one basis, respectively. The above conversion prices are subject to adjustments in the event that the Company issues additional ordinary shares or additional deemed ordinary shares through options or convertible instruments for a consideration per share received by the Company less than the original respective conversion prices, as the case may be, in effect on the date of and immediately prior to such issue. In such event, the respective conversion price is reduced, concurrently with such issue, to a price as adjusted according to an agreed-upon formula.

The above conversion prices are also subject to adjustments on a proportional basis upon other dilution events.

(b) Voting rights

Each holder of Preferred Shares shall be entitled to the number of votes equal to the number of ordinary shares into which the Preferred Shares held by such holder could be converted as of the record date. The holders of Preferred Shares shall be entitled to vote on all matters on which the holders of ordinary shares shall be entitled to vote. Holders of Preferred Shares shall be entitled to notice of any general meeting in accordance with the Memorandum and Articles of Association of the Company.

(c) Redemption features

In the events that (i) the Company fails to consummate a qualified IPO within 6 years from the closing of Series F financing or (ii) the Company fails to complete a sale of the Company approved by the holders of more than 50% of the then issued and outstanding Preferred Shares, voting together as a single class on an as-converted to ordinary shares basis.

In the events that (i) a material default or breach by any Group company, founder or non-founder ordinary holder of any of the representations, warranties, covenants, obligations under any transaction document (only an adverse effect on the assets or operations of the Group in an aggregate amount greater than 15% of the Series F post-money valuation of the Group shall be deemed material); (ii) the occurrence of an investigation of a corruption or bribery event by any government authority into any Founder, Group company or key employee resulting in a final, non-appealable decision finding violations of laws, which has a material adverse effect on the assets or operations of the Group or the public offering of the Company, and such default or breach is not remedied within 90 days after a written notice with respect to such default or breach; (iii) the cessation of Mr. MA Xuguang or Mr. LI Ji of being employed to any of the Group either on his unilateral and voluntary termination or as a

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

(c) Redemption features—continued

result of termination by such Group company for cause ; (iv) any change of laws or policy or any change of such laws and policy's interpretation and enforcement by government authorities may result in the invalidity of the restructuring agreements and there is no other reasonable alternative to accomplish the purposes of the restructuring agreements or material adverse effect to the principal business, and there is no other reasonable alternative for the Company to cure the adverse effect and continue the principal business within 90 days after the change of laws or policy or its interpretation or enforcement by government authorities (only an adverse effect on the assets or operations of the Group in an aggregate amount greater than 15% of the Series F Post-Money Valuation of the Group shall be deemed material).

The price at which shares of Preferred Shares are redeemed shall be a higher amount of (i) that would give holders of Preferred Shares a 10% interest rate per annum for its investment in the Company plus all accrued but unpaid dividends and (ii) fair market value of Preferred Shares to be determined by an independent and qualified asset appraisal firm.

(d) Liquidation preferences

In the event of any liquidation, dissolution, winding up of the Company or deemed liquidation event, holders of Preferred Shares shall be entitled to be paid out of the funds and assets available for distribution to the members of the Company, an amount per share equal to 120% of the original issue price for each series Preferred share, plus any dividends declared but unpaid thereon in the sequence as follows:

(1) Series F Preferred Shares

(2) Series E Preferred Shares

(3) Series D+ Preferred Shares

(4) Series D Preferred Shares

(5) Series C Preferred Shares

(6) Series B Preferred Shares

(7) Series A Preferred Shares or Series A-1 Preferred Shares

Presentation and Classification

The Group and the Company have designated the Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. Management considered that the fair value change in the Preferred Shares attributable to changes of own credit risk is not significant.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

(d) Liquidation preferences—continued

The movements of the Preferred Shares are set out as follows:

The Group

	Series A	Series A-1	Series B	Series C	Series D	Series D+	Series E	Series F	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	**78,470**	**31,508**	**181,657**	**201,931**	**374,152**	**—**	**—**	**—**	**867,718**
Change in fair value	44,390	17,441	86,636	70,889	93,704	7,032	—	—	320,092
Issuance for cash	—	—	—	—	—	573,655	—	—	573,655
Exchange adjustments	1,791	715	3,967	4,123	7,214	(5,132)	—	—	12,678
At December 31, 2019	**124,651**	**49,664**	**272,260**	**276,943**	**475,070**	**575,555**	**—**	**—**	**1,774,143**
Change in fair value	80,543	31,532	156,926	138,059	135,186	116,463	(1,365)	—	657,344
Issuance for cash	—	—	—	—	—	—	1,340,485	—	1,340,485
Exchange adjustments	(12,416)	(4,917)	(26,091)	(25,376)	(38,037)	(43,527)	(2,876)	—	(153,240)
At December 31, 2020	**192,778**	**76,279**	**403,095**	**389,626**	**572,219**	**648,491**	**1,336,244**	**—**	**3,618,732**
Change in fair value	210,774	78,191	425,222	371,421	524,202	549,004	853,640	35,974	3,048,428
Issuance for cash	—	—	—	—	—	—	606,330	520,416	1,126,746
Repurchase (note a)	—	(10,745)	—	(57,763)	(161,291)	—	—	—	(229,799)
Exchange adjustments	(6,885)	(2,572)	(14,213)	(12,786)	(17,136)	(21,279)	(47,600)	(6,798)	(129,269)
At December 31, 2021	**396,667**	**141,153**	**814,104**	**690,498**	**917,994**	**1,176,216**	**2,748,614**	**549,592**	**7,434,838**
Change in fair value	6,987	2,433	13,504	11,175	14,339	16,435	19,873	355	85,101
Exchange adjustments	21,131	7,518	43,339	36,750	48,839	62,509	145,422	28,951	394,459
At June 30, 2022	**424,785**	**151,104**	**870,947**	**738,423**	**981,172**	**1,255,160**	**2,913,909**	**578,898**	**7,914,398**

The Company

	Series A	Series A-1	Series B	Series C	Series D	Series D+	Series E	Series F	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	**78,470**	**28,462**	**181,657**	**134,762**	**374,152**	**—**	**—**	**—**	**797,503**
Change in fair value	44,390	15,754	86,636	47,309	93,704	7,032	—	—	294,825
Issuance for cash	—	—	—	—	—	573,655	—	—	573,655
Exchange adjustments	1,791	646	3,967	2,753	7,214	(5,132)	—	—	11,239
At December 31, 2019	**124,651**	**44,862**	**272,260**	**184,824**	**475,070**	**575,555**	**—**	**—**	**1,677,222**
Change in fair value	80,543	28,483	156,926	92,136	135,186	116,463	(1,365)	—	608,372
Issuance for cash	—	—	—	—	—	—	1,340,485	—	1,340,485
Exchange adjustments	(12,416)	(4,441)	(26,091)	(16,940)	(38,037)	(43,527)	(2,876)	—	(144,328)
At December 31, 2020	**192,778**	**68,904**	**403,095**	**260,020**	**572,219**	**648,491**	**1,336,244**	**—**	**3,481,751**
Change in fair value	210,774	74,703	425,222	371,458	524,202	549,004	853,640	35,974	3,044,977
Issuance for cash	—	—	—	—	—	—	606,330	520,416	1,126,746
Repurchase (note a)	—	—	—	—	(161,291)	—	—	—	(161,291)
Exchange adjustments	(6,885)	(2,454)	(14,213)	(10,308)	(17,136)	(21,279)	(47,600)	(6,798)	(126,673)
At December 31, 2021	**396,667**	**141,153**	**814,104**	**621,170**	**917,994**	**1,176,216**	**2,748,614**	**549,592**	**7,365,510**
Change in fair value	6,987	2,433	13,504	10,053	14,339	16,435	19,873	355	83,979
Exchange adjustments	21,131	7,518	43,339	33,059	48,839	62,509	145,422	28,951	390,768
At June 30, 2022	**424,785**	**151,104**	**870,947**	**664,282**	**981,172**	**1,255,160**	**2,913,909**	**578,898**	**7,840,257**

Note a: In April and June 2021, the Company entered into a series of share repurchase agreements with certain of existing holders of preferred shares to repurchase 1,148,936 Series A-1 Preferred Shares,

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

31. CONVERTIBLE REDEEMABLE PREFERRED SHARES—continued

(d) Liquidation preferences—continued

6,110,920 Series C Preferred Shares and 12,000,000 Series D Preferred Shares with reference to the share price of the latest round of financing immediately before the relevant repurchase for repurchase consideration of RMB10,745,000, RMB57,763,000 and RMB161,291,000 respectively. Details of the share repurchase are disclosed in the section headed "History, Reorganization and Corporate Structure" in the Prospectus.

32. SHARE CAPITAL

The Company was incorporated in May 2015 with authorized share capital of USD10,000 divided into 100,000,000 ordinary shares ("ordinary shares") with a par value of USD0.0001 each.

A summary of movements in the Company's issued and fully paid share capital is as follows:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued	61	61	138	138

	Number of shares in issue	Share capital
		RMB'000
At December 31, 2019 and December 31, 2020	100,000,000	61
Issue of new treasury shares held in trust (note a)	120,199,231	78
Repurchase of ordinary share (note b)	(1,000,000)	(1)
At December 31, 2021 and June 30, 2022	219,199,231	138

Note a: From April to June 2021, the Company allotted and issued a total of 120,199,231 ordinary shares of the Company to certain special purpose vehicle companies in order to facilitate the administration of the 2017 Share Option Plan and 2021 RSU Scheme as set out in note 34 to the Historical Financial Information. The interests of these special purpose vehicle companies are held in several trusts for the benefit of grantees of 2017 Share Option Plan and 2021 RSU Scheme.

Note b: From April to June 2021, the Company entered into a series of share repurchase agreements with certain of the shareholders of the Company to repurchase 1,000,000 ordinary shares and certain number of preferred shares of the Company based on the negotiation among parties with reference to the share price of the latest round of financing immediately before the relevant repurchase. Details of the repurchase of preferred shares are set out in note 31 to the Historical Financial Information.

33. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

33. RESERVES—continued

The Company

	Other reserve	Share-based Payment reserve	Foreign currency translation reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	—	30,874	(17,547)	(84,122)	(70,795)
Total comprehensive expense for the year	—	—	(21,799)	(293,108)	(314,907)
Share-based payment compensation	—	21,738	—	—	21,738
At December 31, 2019 and January 1, 2020	—	52,612	(39,346)	(377,230)	(363,964)
Total comprehensive expense for the year	—	—	142,675	(643,872)	(501,197)
Share-based payment compensation	—	113,995	—	—	113,995
At December 31, 2020 and January 1, 2021	—	166,607	103,329	(1,021,102)	(751,166)
Total comprehensive expense for the year	—	—	132,370	(3,192,311)	(3,059,941)
Share-based payment compensation	—	298,682	—	—	298,682
Repurchase of the vested share options	(25,591)	(27,795)	—	—	(53,386)
Repurchase of the ordinary share	(10,056)	—	—	—	(10,056)
Disposal of subsidiaries of offline clinic services (note 37)	(258,452)	—	—	—	(258,452)
At December 31, 2021 and January 1, 2022	(294,099)	437,494	235,699	(4,213,413)	(3,834,319)
Total comprehensive expense for the period	—	—	(390,746)	(128,465)	(519,211)
Share-based payment compensation	—	105,662	—	—	105,662
At June 30, 2022	(294,099)	543,156	(155,047)	(4,341,878)	(4,247,868)

34. SHARE INCENTIVE PLAN

2017 Share Option Plan

The Company adopted a share incentive plan ("2017 Share Option Plan") in 2018, as amended and restated in 2020 and 2021, for the purpose of attracting and retaining the best talents who promote the success of the Group's operations. Eligible participants of the 2017 Share Option Plan include the certain directors of the Company, employees and consultants of the Group. The Company may grant up to 131,580,321 share options of the Company under the 2017 Share Option Plan.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. SHARE INCENTIVE PLAN—continued

2017 Share Option Plan—continued

Details of specific categories of options are as follows:

Date of grant	Number of options granted	Exercise price per share	Vesting Schedule
January 2018	8,814,381	USD0.018	Vesting in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date
January 2018	292,703	USD0.018	Vesting in the portions of 25%, 25% and 50% on the first, second and third anniversaries of the vesting commencement date
May 2018	10,561,035	USD0.018 ~ USD0.03630	Vesting in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date
July 2018	10,731,765	USD0.03630	Vesting in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date
January 2019	11,735,264	USD0.018 ~ USD0.250	Vesting in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date
February 2020 . . .	4,889,270	USD0.06720	Vesting in the portions of 15%, 20%, 30% and 35% on the first, second, third and fourth anniversaries of the vesting commencement date
February 2020 . . .	11,200,000	USD0.06720	Vesting in the portions of 25%, 25%, 25% and 25% on the first, second, third and fourth anniversaries of the vesting commencement date
December 2020 . .	13,050,000	USD0.06720	vesting in 36 equal monthly installments after the vesting commencement date
December 2020 . .	10,000,000	USD0.06720	vesting in 48 equal monthly installments after the vesting commencement date

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. SHARE INCENTIVE PLAN—continued

2017 Share Option Plan—continued

Date of grant	Number of options granted	Exercise price per share	Vesting Schedule
May 2021	13,977,309	USD0.09000	Vesting in the portion of 15%, 20%, 30% and 35% on the first, second, third and fourth anniversaries of the vesting commencement date
May 2021	200,000	USD0.09000	Vesting in the portion of 22.5%, 35%, 30% and 12.5% on the first, second third and fourth anniversaries of the vesting commencement date
May 2021	5,585,000	USD0.09000	Vesting in the portion of 0%, 35%, 30% and 35% on the first, second, third and fourth anniversaries of the vesting commencement date
May 2021	13,600,000	USD0.09000	Vesting in 48 equal monthly instalments after the vesting commencement date
June 2021	19,996,000	USD0.09000	Vesting in 48 equal monthly instalments after the vesting commencement date

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. SHARE INCENTIVE PLAN—continued

2017 Share Option Plan—continued

The following share options were outstanding under the share option plan during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022:

	Weighted average exercise price*	Number of options
	USD per share	*'000*
At January 1, 2019		28,256
Granted during the year	0.0426	11,735
Forfeited during the year	0.0551	2,677
At December 31, 2019 and January 1, 2020		37,314
Granted during the year	0.0672	39,139
Forfeited during the year	0.0435	4,312
At December 31, 2020 and January 1, 2021		72,141
Granted during the year	0.0900	53,358
Forfeited during the year	0.0713	1,366
Exercised during the year**	0.0547	5,950
At December 31, 2021 and January 1, 2022***		118,183
Forfeited during the period	0.0659	1,648
At June 30, 2022***		116,535

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** In March and May 2021, the Company repurchased 4,000,000 and 1,950,000 vested share options, respectively, granted to certain directors of the Company and the Group's employees under the 2017 Share Option Plan at a total net consideration of RMB36,922,000 and RMB16,464,000, respectively after deduction of exercise price. The repurchase price was determined based on the fair value of ordinary shares of the Company on repurchase date with reference to the issue price of recent financing. The repurchase of vested share options was accounted for as a deduction from equity.

*** Certain underlying shares of the options granted under the 2017 Share Option Plan had already been fully issued through special purpose vehicle companies as detailed in note 32.

The fair value of the share options granted during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 was RMB25,561,000, RMB198,102,000, RMB577,900,000 and nil, respectively.

The Group recognized share-based expenses of RMB21,738,000, RMB113,995,000, RMB298,682,000 and RMB105,662,000 during the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, respectively.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

34. SHARE INCENTIVE PLAN—continued

2017 Share Option Plan—continued

The fair value of share-based payment compensations granted during the Relevant Periods was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021
Expected volatility (%)	36.25%-36.25%	36.92%-36.92%	36.00%-37.00%
Risk-free interest rate (%)	1.92%-1.92%	0.92%-0.92%	1.14%-1.63%
Expected life of options (year)	10	10	10
Weighted average share price (USD per share)	0.5040	0.8941	1.6735
Expected dividend yield(%)	0.00%	0.00%	0.00%

2021 RSU Scheme

In June 2021, the Company adopted a restricted share unit scheme (the "RSU Scheme") to provide incentives for the directors of the Company and the employees of the Group to retain them, and to attract suitable personnel for the Group's further development. To implement the RSU Scheme, the Company issued 10,004,000 Ordinary Shares to Sail Far Holdings Limited in June 2021. As at June 30, 2022, no restricted share unit was granted to employee or director of the Group by the Company.

35. BUSINESS COMBINATIONS

Taiyuan Taikang

On July 12, 2019, the Group entered into a share purchase agreement with the shareholders of Taiyuan Taikang to acquire 51.00% equity interests from third party shareholders of Taiyuan Taikang for a total cash consideration of RMB13,770,000. The remaining 49.00% equity interests are held by another third party shareholder. Taiyuan Taikang was founded in 2012. Taiyuan Taikang is mainly engaged in operation of retail pharmacy. The acquisition was made as part of the Group's strategy to establish a network of retail DTP drug stores in major cities of China.

The acquisition was completed on July 31, 2019 when the Company obtained control of the operating and financing activities of Taiyuan Taikang.

The fair values of the identifiable assets and liabilities of Taiyuan Taikang as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition
		RMB'000
Trade and bills receivables		127
Prepayments, other receivables and other assets		3
Inventories		2,408
Property, plant and equipment	15	147
Other intangible assets	16	680
Right-of-use assets	17	1,317

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. BUSINESS COMBINATIONS—continued

Taiyuan Taikang—continued

	Notes	Fair value recognized on acquisition
		RMB'000
Trade payables		(801)
Other payables and accruals		(1,487)
Lease liabilities	17	(1,447)
Deferred tax liabilities	30	(170)
Total identifiable net assets at fair value		777
Non-controlling interests		381
		396
Goodwill on acquisition		13,374
Satisfied by:		
Cash consideration paid during the year ended December 31, 2019		13,770

The fair values of the trade and bills receivables as at the date of acquisition amounted to RMB127,000. The gross contractual amount of trade and bills receivables was RMB127,000.

The goodwill is attributable to the acquired human resources and economies of scale expected from combining the operations of the Group and Taiyuan Taikang acquired not being under common control.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the leases relative to market terms.

An analysis of the cash flows in respect of the acquisition of Taiyuan Taikang is as follows:

	RMB'000
Cash consideration paid during the year ended December 31, 2019	13,770
Net outflow of cash and cash equivalents included in cash flows from investing activities	(13,770)

Since the acquisition, Taiyuan Taikang contributed RMB33,956,000 to the Group's revenue and RMB287,000 to the Group's profit for the year ended December 31, 2019.

Had the combination taken place at the beginning of the year ended December 31, 2019, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB1,076,589,000 and RMB596,075,000, respectively.

Shenyang Sanheyuan

On November 25, 2019, the Group entered into a share purchase agreement with the shareholders of Shenyang Sanheyuan to acquire 51.00% equity interests from third party shareholders of Shenyang Sanheyuan for a total cash consideration of RMB32,640,000. The remaining 49.00% equity interests are held by another third party shareholder. Shenyang Sanheyuan was founded in 2016. Shenyang Sanheyuan is mainly engaged in the operation of retail pharmacy. The acquisition was made as part of the Group's strategy to establish a network of retail DTP drug stores in major cities of China.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. BUSINESS COMBINATIONS—continued

Shenyang Sanheyuan—continued

The acquisition was completed on November 30, 2019 when the Company obtained control of the operating and financing activities of Shenyang Sanheyuan.

The fair values of the identifiable assets and liabilities of Shenyang Sanheyuan as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition
		RMB'000
Cash and cash equivalents		9,309
Trade and bills receivables		3,016
Right-of-use assets	17	3,174
Prepayments, other receivables and other assets		5,618
Inventories		23,331
Property, plant and equipment	15	829
Other intangible assets	16	5,505
Trade payables		(37,320)
Other payables and accruals		(1,513)
Lease liabilities	17	(2,859)
Deferred tax liabilities	30	(1,365)
Total identifiable net assets at fair value		7,725
Non-controlling interests		3,785
		3,940
Goodwill on acquisition		28,700
Satisfied by:		
Cash consideration paid during the year ended December 31, 2019		16,320
Consideration payable included in other payables and accruals as at December 31, 2019		16,320

The fair values of the trade and bills receivables as at the date of acquisition amounted to RMB3,016,000. The gross contractual amount of trade and bills receivables was RMB3,016,000.

The goodwill is attributable to the acquired human resources and economies of scale expected from combining the operations of the Group and Shenyang Sanheyuan acquired not being under common control.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the leases relative to market terms.

An analysis of the cash flows in respect of the acquisition of Shenyang Sanheyuan is as follows:

	RMB'000
Cash consideration paid during the year ended December 31, 2019	16,320
Cash and cash equivalents acquired	9,309
Net outflow of cash and cash equivalents included in cash flows from investing activities	(7,011)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. BUSINESS COMBINATIONS—continued

Shenyang Sanheyuan—continued

Since the acquisition, Shenyang Sanheyuan contributed RMB22,805,000 to the Group's revenue and RMB3,034,000 to the Group's profit for the year ended December 31, 2019.

Had the combination taken place at the beginning of the year ended December 31, 2019, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB1,258,678,000 and RMB591,672,000, respectively.

Beijing Renbo

On December 27, 2021, the Group entered into a share purchase agreement with the shareholders of Beijing Renbo to acquire 70.00% equity interests from a third party shareholder of Beijing Renbo at a total cash consideration of RMB14,700,000 and estimated contingent consideration of RMB24,467,000. The remaining 30.00% equity interests are still held by the original third party shareholder.

Beijing Renbo was founded in 2003. Beijing Renbo is mainly engaged in the operation of retail pharmacy. The acquisition was made as part of the Group's strategy to establish a network of retail DTP drug stores in major cities of China.

The acquisition was completed on December 31, 2021 when the Company obtained control of the operating and financing activities of Beijing Renbo.

The fair values of the identifiable assets and liabilities of Beijing Renbo as at the date of acquisition were as follows:

	Notes	Fair value recognized on acquisition
		RMB'000
Cash and cash equivalents		5,629
Right-of-use assets	17	2,057
Prepayments, other receivables and other assets		926
Inventories		4,056
Property, plant and equipment	15	75
Other intangible assets	16	1,245
Trade payables		(6,509)
Other payables and accruals		(1,833)
Dividend payables		(1,254)
Lease liabilities	17	(2,057)
Deferred tax liabilities	30	(310)
Total identifiable net assets at fair value		2,025
Non-controlling interests		607
		1,418
Goodwill on acquisition		37,749
Satisfied by:		
Consideration payable included in other payables and accruals as at December 31, 2021		14,700
Contingent consideration payables		24,467

As part of the purchase agreement, contingent consideration is payable, which is dependent on the achievement of certain net profit target over a period of 12 months subsequent to the acquisition. The

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

35. BUSINESS COMBINATIONS—continued

Beijing Renbo—continued

initial amount recognized was determined using the discounted cash flow model and is within Level 3 fair value measurement. The consideration is due for final measurement and payment to the former shareholders in two batches on September 30, 2022 and March 31, 2023 respectively.

An analysis of the contingent consideration payables in respect of the liquidity is as follows

	As at December 31, 2021	As at June 30, 2022
	RMB'000	RMB'000
Current portion	20,790	24,467
Non-current portion	3,677	—
	24,467	24,467

The goodwill is attributable to the acquired human resources and economies of scale expected from combining the operations of the Group and Beijing Renbo acquired not under common control.

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities and adjusted to reflect the favorable terms of the leases relative to market terms.

An analysis of the cash flows in respect of the acquisition of Beijing Renbo is as follows:

	RMB'000
Cash and cash equivalents acquired	5,629
Net inflow of cash and cash equivalents included in cash flows from investing activities	5,629

Since the acquisition, Beijing Renbo contributed nil to the Group's revenue and nil to the Group's profit for the year ended December 31, 2021.

Had the combination taken place at the beginning of the year ended December 31, 2021, the revenue from continuing operations of the Group and the loss of the Group for the year would have been RMB3,566,865,000 and RMB3,744,250,000, respectively.

36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS

(a) Year ended December 31, 2019

During the year ended December 31, 2019, the Group acquired 100% equity interests in Sipai (Beijing) Insurance Brokerage Co., Ltd. (思派(北京)保險經紀有限公司 "Beijing Sipai Brokerage"), 100% equity interests in Guangdong Dahui Medical Co., Ltd. (廣東達慧醫藥有限公司 "Guangdong Dahui") and 51% equity interests in Weihai Renji Medical Sales Co., Ltd. (威海仁濟醫藥銷售有限公司 "Weihai Renji") from independent third parties. The acquisitions of Beijing Sipai Brokerage, Guangdong Dahui, and Weihai Renji were accounted for as asset acquisition because Beijing Sipai Brokerage, Guangdong Da Hui, and Weihai Renji failed to constitute a business under IFRS 3. Upon completion of the acquisitions, the acquired companies became wholly-owned subsidiaries of the Group, except for Weihai Renji being a non-wholly-owned subsidiary. The acquisitions were accounted for as asset acquisition since the Group determined that those activities and assets of acquired equity interests of companies didn't constitute business on the acquisition date acquired.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS—continued

(a) Year ended December 31, 2019—continued

Identifiable assets acquired and liabilities assumed after allocation of transaction prices of Beijing Sipai Brokerage, Guangdong Dahui and Weihai Renji as at the dates of acquisition were as follows:

	Notes	Beijing Sipai Brokerage	Guangdong Da hui	Weihai Renji	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents		63	32	71	166
Trade and bills receivables		—	—	3	3
Right-of-use assets	17	—	181	276	457
Prepayments, other receivables and other assets		167	53	2,202	2,422
Inventories		—	—	468	468
Property, plant and equipment	15	—	—	140	140
Other intangible assets	16	30,905	4,015	2,398	37,318
Other current assets		5,000	—	—	5,000
Trade payables		(2)	—	(629)	(631)
Other payables and accruals		(8,002)	(302)	(704)	(9,008)
Lease liabilities	17	—	(179)	(249)	(428)
Total Identifiable assets acquired and liabilities assumed after allocation of transaction price		28,131	3,800	3,976	35,907
Non-controlling interests		—	—	1,008	1,008
Satisfied by:					
Cash consideration paid during the year ended December 31, 2019		21,931	3,800	890	26,621
Consideration payable included in other payables and accruals as at December 31, 2019		6,200	—	2,078	8,278

An analysis of the cash flows in respect of the above acquisitions is as follows:

	Beijing Sipai Brokerage	Guangdong Da hui	Weihai Renji	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash consideration paid during the year ended December 31, 2019	21,931	3,800	890	26,621
Cash and cash equivalents acquired	63	32	71	166
Net outflow of cash and cash equivalents included in cash flows from investing activities	(21,868)	(3,768)	(819)	(26,455)

(b) Year ended December 31, 2020

During the year ended December 31, 2020, the Group acquired 100% equity interests in Guangzhou Sipai Medical Clinic Co., Ltd. (廣州思派醫療門診部有限責任公司, formerly known as 廣州市康祺門診部有限責任公司 Guangzhou Kangqi clinic Co., Ltd., "Guangzhou Sipai Clinic"), 100% equity interests in Taizhou Quannuo Pharmacy Co., Ltd. (台州市全諾大藥房有限公司"Taizhou Quannuo"), 100% equity interests in Beijing Hengrenfukang Pharmaceutical Co., Ltd. (北京恒仁福康醫藥有限公司 "Beijing Hengren"), 100% equity interests in Guangzhou Sipai Pharmaceuticals Chain Co. Ltd. (廣州市思派藥業連鎖有限公司, formerly known as Guangzhou Bozhong Pharmaceuticals Chain Co. Ltd. 廣州市柏中藥業連鎖有限公司, "Guangzhou Bozhong") and 100% equity interests in Shenzhen Sipai medical Co., Ltd. (深圳思派診所, formerly known as 深圳市愛丁婦科門診部有限公司 Shenzhen Ibaby

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS—continued

(b) Year ended December 31, 2020—continued

Gynecology Clinic Co., Ltd. "Shenzhen Sipai Clinic") from independent third parties. The acquisitions of Guangzhou Sipai Clinic, Taizhou Quannuo, Beijing Hengren, Guangzhou Bozhong, and Shenzhen Sipai Clinic were accounted for as asset acquisition because Guangzhou Sipai Clinic, Taizhou Quannuo, Beijing Hengren, Guangzhou Bozhong,and Shenzhen Sipai Clinic failed to constitute a business under IFRS 3. Upon completion of the acquisitions, the acquired companies became wholly-owned subsidiaries of the Group. The acquisitions were accounted for as asset acquisition since the Group determined that those activities and assets of acquired equity interests of companies didn't constitute business on the acquisition date acquired.

Identifiable assets acquired and liabilities assumed after allocation of transaction prices of Guangzhou Sipai Clinic, Taizhou Quannuo, Beijing Hengren, Guangzhou Bozhong, and Shenzhen Sipai Clinic as at the dates of acquisition were as follows:

	Notes	Guangzhou Sipai Clinic	Taizhou Quannuo	Beijing Hengren	Guangzhou Bozhong	Shenzhen Sipai Clinic	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents		—	390	—	1	—	391
Right-of-use assets	17	—	—	—	—	1,732	1,732
Prepayments, other receivables and other assets		—	334	1,297	3	554	2,188
Inventories		—	978	102	—	—	1,080
Property, plant and equipment	15	—	—	—	—	134	134
Other intangible assets	16	1,130	—	124	1,796	1,306	4,356
Other payables and accruals		—	(1,402)	(517)	—	—	(1,919)
Lease liabilities	17	—	—	—	—	(2,146)	(2,146)
Total identifiable assets acquired and liabilities assumed after allocation of transaction price		1,130	300	1,006	1,800	1,580	5,816
Satisfied by:							
Cash consideration paid during the year ended December 31, 2020		500	—	1,006	1,800	1,580	4,886
Consideration payable included in other payables and accruals as at December 31, 2020		630	300	—	—	—	930

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS—continued

(b) Year ended December 31, 2020—continued

An analysis of the cash flows in respect of the above acquisitions is as follows:

	Guangzhou Sipai Clinic	Taizhou Quannuo	Beijing Hengren	Guangzhou Bozhong	Shenzhen Sipai Clinic	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash consideration paid during the year ended December 31, 2020	500	—	1,006	1,800	1,580	4,886
Cash and cash equivalents acquired	—	390	—	1	—	391
Net outflow of cash and cash equivalents included in cash flows from investing activities	(500)	390	(1,006)	(1,799)	(1,580)	(4,495)

(c) Year ended December 31, 2021

During the year ended December 31, 2021, the Group acquired certain assets through acquisition of Shenzhen Nanshan Sipai clinic Co., Ltd (深圳南山思派門診部, formerly known as 深圳全康科興門診部 Shenzhen Quankang clinic Co., Ltd "Shenzhen Nanshan Sipai Clinic"), Suzhou Sipai Pharmacy Co., Ltd (蘇州思派大藥房有限公司, formerly known as 蘇州市相城區陽澄湖鎮老利安藥店有限公司 Suzhou Laolian Pharmacy Co., Ltd "Suzhou Sipai"), Hangzhou Sipai Dongyuan Pharmacy Co., Ltd (杭州思派東苑大藥房有限公司, formerly known as 杭州余杭金訶堂大藥房有限公司 Hangzhou Yuhangjjinhetang Pharmacy Co., Ltd "Hangzhou Dongyuan"), Guangxi Nanning Tongjuntang Pharmacy Co. Ltd (廣西南寧桐君堂大藥房有限公司 "Guangxi Nanning Tongjuntang"), Yantai Runyao Pharmacy Co., Ltd. (煙台潤藥大藥房有限公司), Tianjin Kangzhong Pharmacy Co., Ltd. (天津市康眾大藥房有限公司 "Tianjin Kangzhong"), Ningbo Haishu Benqitang Pharmacy Retail Co., Ltd. (寧波市海曙本氣堂醫藥零售有限公司 "Haishu Benqitang"), Linyi Yixin Pharmacy Co., Ltd. (臨沂市宜心大藥房有限公司 "Linyi Yixin") and Changzhi Sipai Pharmacy Co., Ltd. (長治思派大藥房有限公司, formerly known as 長治九康大藥房有限公司 Changzhi Jiukang Pharmacy Co. Ltd "Changzhi Sipai") from independent third parties. Upon the completion of acquisitions, the acquired companies became wholly-owned subsidiaries of the Group.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS—continued

(c) Year ended December 31, 2021—continued

Identifiable assets acquired and liabilities assumed after allocation of transaction prices of Shenzhen Nanshan Sipai Clinic, Suzhou Sipai, Hangzhou Dongyuan, Guangxi Nanning Tongjuntang, Yantai Runyao Pharmacy Co., Ltd., Tianjin Kangzhong, Haishu Benqitang, Linyi Yixin and Changzhi Sipai as at the dates of acquisition were as follows:

	Notes	Shenzhen Nanshan Sipai Clinic	Suzhou Sipai	Hangzhou Dongyuan	Guangxi Nanning Tongjuntang	Yantai Runyao Pharmacy Co., Ltd.	Tianjin Kangzhong	Haishu Benqitang	Linyi Yixin	Changzhi Sipai	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents		—	—	6	27	348	156	2	2	—	541
Trade and bills receivables		—	—	—	—	—	170	17	—	53	240
Right-of-use assets	17	707	1,647	—	—	131	671	657	—	450	4,263
Prepayments, other receivables and other assets		229	843	25	290	254	—	62	728	58	2,489
Inventories		6	—	16	63	1,707	61	87	1,316	—	3,256
Property, plant and equipment	15	—	—	1	—	42	—	—	—	—	43
Other intangible assets	16	1,747	240	534	309	2,153	2,869	1,111	4,298	1,020	14,281
Trade payables		—	—	—	—	(1,737)	—	(195)	(2,028)	—	(3,960)
Other payables and accruals		—	(692)	(282)	(439)	(626)	(24)	(144)	(18)	(131)	(2,356)
Lease liabilities	17	(769)	(1,538)	—	—	(119)	(671)	(657)	—	(450)	(4,204)
Total Identifiable assets acquired and liabilities assumed after allocation of transaction price		1,920	500	300	250	2,153	3,232	940	4,298	1,000	14,593
Non-controlling interests		—	—	—	—	153	—	—	343	—	496
Satisfied by:											
Cash consideration paid during the year ended December 31, 2021		576	500	300	250	1,800	3,232	940	1,978	100	9,676
Consideration payable included in other payables and accruals as at December 31, 2021		1,344	—	—	—	200	—	—	1,977	900	4,421

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

36. ACQUISITION OF SUBSIDIARIES THAT ARE NOT A BUSINESS—continued

(c) Year ended December 31, 2021—continued

An analysis of the cash flows in respect of the above acquisitions is as follows:

	Shenzhen Nanshan Sipai Clinic	Suzhou Sipai	Hangzhou Dongyuan	Guangxi Nanning Tongjuntang	Yantai Runyao Pharmacy Co., Ltd.	Tianjin Kangzhong	Haishu Benqitang	Linyi Yixin	Changzhi Sipai	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cash consideration paid during the year ended December 31, 2021	576	500	300	250	1,800	3,232	940	1,978	100	9,676
Cash and cash equivalents acquired	—	—	6	27	348	156	2	2	—	541
Net outflow of cash and cash equivalents included in cash flows from investing activities	576	500	294	223	1,452	3,076	938	1,976	100	9,135

37. DISPOSAL OF SUBSIDIARIES OF OFFLINE CLINIC SERVICES

In June 2021, to focus on the Group's core business, the Group disposed of Spcare Technology Co., Ltd. (the name was subsequently changed to "Medpion Health Technology Co., Ltd." in December 2021, "**Medpion Cayman**") and its subsidiaries (the "Offline Clinic Business"), which was mainly engaged in the clinic business. The Company made a capital injection of US$40,000,000 (equivalent to RMB258,452,000) into Medpion Cayman to support the future business development of the disposal group before transferring all the shares of Medpion Cayman to the existing shareholders of the Company in proportion to their shareholdings in the Company at nil consideration. The disposal of the Group's Offline Clinic Business was made by distribution of the shares of Medpion Cayman to owners of the Group in their capacity as owners. Therefore, the transaction was accounted for as a deemed distribution of the Offline Clinic Business to owners of the Group. The excess of the carrying amount of net assets transferred over the disposal consideration is recorded in other reserve. Details of the disposal are disclosed in the section headed "HISTORY, REORGANIZATION AND CORPORATE STRUCTURE—Exclusion of Offline Clinic Business" in the Prospectus.

The following table summarizes the carrying amount of net assets of the disposal group:

	As at the date of disposal
	RMB'000
Carrying amount of net assets attributable to the Group	243,697

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

37. DISPOSAL OF SUBSIDIARIES OF OFFLINE CLINIC SERVICES—continued

The aggregate carrying amounts of assets and liabilities of subsidiaries of offline clinic services as at the date of disposal were:

	Notes	As at the date of disposal
		RMB'000
Cash and cash equivalents		262,565
Trade and bills receivables		3,729
Right-of-use assets	17	8,851
Prepayments, other receivables and other assets		1,983
Amounts due from related parties and the Group		101,588
Inventories		19
Property, plant and equipment	15	2,693
Other intangible assets	16	3,884
Trade payables		(36)
Contract liabilities		(49)
Other payables and accruals		(2,959)
Amounts due to the Group		(129,817)
Lease liabilities	17	(8,754)
Net assets attributable to the Group		243,697

The directors of the Company consider that the carrying amounts of assets and liabilities of subsidiaries of offline clinic services approximate to their fair values at the date of disposal.

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Year ended December 31, 2021
	RMB'000
Cash outflow on disposal of subsidiaries, net of cash disposed of	
Cash consideration received during the year	—
Cash and cash equivalents	(4,113)
Capital injection to Medpion Cayman immediately before the disposal	(258,452)
Net cash outflow through disposal of financing activities	(262,565)

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets of RMB40,124,000, RMB20,668,000, RMB64,033,000 and RMB11,199,000 and non-cash additions to lease liabilities of RMB40,124,000, RMB20,668,000, RMB64,033,000 and RMB11,199,000 respectively, in respect of lease arrangements for buildings.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

(b) Changes in liabilities arising from financing activities

	Convertible redeemable preferred shares	Lease liabilities	Accrued listing expenses including in other payables and accruals	Advance payments received for subscription of share options	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2019	867,718	42,971	—	—	910,689
Changes from financing cash flows	573,655	(22,290)	—	—	551,365
Exchange adjustment	12,678	—	—	—	12,678
Change in fair value	320,092	—	—	—	320,092
Accretion of interest recognized during the year	—	2,877	—	—	2,877
New lease addition	—	40,124	—	—	40,124
Increase arising from acquisition of subsidiaries (notes 35, 36)	—	4,734	—	—	4,734
Termination of lease	—	(2,024)	—	—	(2,024)
At December 31, 2019 and January 1, 2020	1,774,143	66,392	—	—	1,840,535
Changes from financing cash flows	1,340,485	(29,146)	—	—	1,311,339
Exchange adjustment	(153,240)	—	—	—	(153,240)
Change in fair value	657,344	—	—	—	657,344
Accretion of interest recognized during the year	—	3,527	—	—	3,527
New lease addition	—	20,668	—	—	20,668
Increase arising from acquisition of subsidiaries (note 36)	—	2,146	—	—	2,146
At December 31, 2020 and January 1, 2021	3,618,732	63,587	—	—	3,682,319
Changes from financing cash flows	919,900	(38,221)	(3,983)	7,114	884,810
Changes from operating cash flows	—	—	(16,303)	—	(16,303)
Exchange adjustment	(129,269)	—	—	—	(129,269)
Change in fair value	3,048,428	—	—	—	3,048,428
Payables arising from repurchase of the convertible redeemable preferred shares	(22,953)	—	—	—	(22,953)
Accretion of interest recognized during the year	—	3,688	—	—	3,688
New lease addition	—	64,033	—	—	64,033
Increase arising from acquisition of subsidiaries (notes 35, 36)	—	6,261	—	—	6,261
Termination of lease	—	(3,576)	—	—	(3,576)
Disposal of subsidiaries (note 37)	—	(8,754)	—	—	(8,754)

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS—continued

(b) Changes in liabilities arising from financing activities—continued

	Convertible redeemable preferred shares	Lease liabilities	Accrued listing expenses including in other payables and accruals	Advance payments received for subscription of share options	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Increase in deferred listing expenses	—	—	6,885	—	6,885
Increase listing expenses including in administrative expenses	—	—	28,497	—	28,497
At December 31, 2021 and January 1, 2022	7,434,838	87,018	15,096	7,114	7,544,066
Changes from financing cash flows	—	(14,186)	(941)	959	(14,168)
Changes from operating cash flows	—	—	(3,806)	—	(3,806)
Exchange adjustment	394,459	—	—	—	394,459
Change in fair value	85,101	—	—	—	85,101
Accretion of interest recognized during the year	—	1,956	—	—	1,956
New lease addition	—	11,199	—	—	11,199
Termination of lease	—	(3,368)	—	—	(3,368)
Decrease in deferred listing expenses	—	—	(6,285)	—	(6,285)
Increase listing expenses including in administrative expenses	—	—	12,114	—	12,114
At June 30, 2022	7,914,398	82,619	16,178	8,073	8,021,268

During the Relevant Periods, the total cash outflow for leases included in the consolidated statements of cash flows was RMB26,452,000, RMB33,150,000, RMB44,219,000 and RMB17,317,000, respectively, among which RMB4,162,000, RMB4,004,000, RMB5,998,000 and RMB3,131,000 were within operating activities, RMB22,290,000, RMB29,146,000, RMB38,221,000 and RMB14,186,000 were within financing activities.

39. COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Purchases of property, plant and equipment	798	686	578	317

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. RELATED PARTY TRANSACTIONS

(a) Names and relationships

Name of related parties	Relationship with the Group
Sinopharm Holdings Smart Pharmacy (Hubei) Co., Ltd (國藥控股思維特大藥房(湖北)有限公司)	Associate
Tencent Cloud (Beijing) Co., Ltd.	Controlled by Tencent*
Tencent Technology (Shenzhen) Co., Ltd.	Controlled by Tencent*
Tencent Technology (Chengdu) Co., Ltd.	Controlled by Tencent*
Shenzhen Tencent Venture Base Development Co., Ltd.	Controlled by Tencent*
Shenzhen Tencent Computer Systems Co., Ltd	Controlled by Tencent*
Tenpay Technology Company Limited	Controlled by Tencent*
Medpion Cayman and its subsidiaries	Entities controlled by same shareholders of the Group**
Beijing Kangnuo Medical Investment Management Co., Ltd. (北京慷諾醫療投資管理有限公司)	Minority shareholder***

* Tencent was a major shareholder of the Company which owned over 20% voting rights of the Company during the Relevant Periods and the six months ended June 30, 2021.

** Medpion Cayman and its subsidiaries were voluntarily disclosed as related parties by the Group since June 23, 2021 with the disposal as set out in note 37 to the Historical Financial Information because the shareholding structure of Medpion Cayman substantially mirrored the Company's shareholding structure before Series F financing.

*** Beijing Kangnuo Medical Investment Management Co., Ltd. was a major shareholder of Beijng Renbo as of December 31, 2021.

(b) Significant related party transactions

In addition to the disposal of Medpion Cayman and its subsidiaries as detailed in note 37, the Group had the following material related party transactions during the Relevant Periods and the six months ended June 30, 2021:

	Notes	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Sales of products						
Associate	(a)	363	1,650	671	1,753	437
Rendering of services						
Associate	(a)	542	574	475	367	—
Controlled by Tencent	(a)	3,388	—	6,843	6,423	133
Medpion Cayman and its subsidiaries	(a)	—	—	2,101	—	—
		3,930	574	9,419	6,790	133
Purchase of technology support services						
Controlled by Tencent	(b)	1,175	1,466	1,772	1,764	478
Purchase of consulting services						
Medpion Cayman and its subsidiaries	(b)	—	—	1,754	—	1,161
Purchase of payment services						
Controlled by Tencent	(b)	—	1,759	3,682	1,048	3,253

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. RELATED PARTY TRANSACTIONS—continued

(b) Significant related party transactions—continued

Notes:

(a) The sales to an associate and the service rendered to an associate, entities controlled by Tencent and entities controlled by same shareholders of the Group were based on arm's length negotiation between the Group and an associate or between the Group and entities controlled by Tencent on a cost-plus basis with reference to the expected cost of promotion work that Group have completed.

(b) The directors consider that the purchases of services from entities controlled by Tencent were based on arm's length negotiation between the Group and entities controlled by Tencent with reference to market rates.

(c) Outstanding balances with related parties

	Notes	Nature	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties:						
Trade and bills receivables						
Associate	(a)	trade	—	362	130	—
Controlled by Tencent	(b)	trade	—	—	403	58
Medpion Cayman and its subsidiaries	(b)	trade	—	—	2,227	—
Other receivables						
Medpion Cayman and its subsidiaries	(c)	non-trade	—	—	4,639	—
Prepayments						
Controlled by Tencent	(d)	trade	181	227	267	1,877
			181	589	7,666	1,935
Amounts due to related parties:						
Other payables						
Associate	(e)	trade	—	—	1,232	703
Medpion Cayman and its subsidiaries	(f)	non-trade	—	—	392	—
Medpion Cayman and its subsidiaries	(g)	trade	—	—	—	1,161
Dividends payables						
Beijing Kangnuo Medical Investment Management Co., Ltd.		non-trade	—	—	1,254	—
			—	—	2,878	1,864

The balances with related parties are unsecured and non-interest-bearing.

Notes:

(a) The outstanding balances are receivables for the sales of goods and provision of service.

(b) The outstanding balances are receivables for the provision of service.

(c) The outstanding balances are receivables for service fee collected from a third party by Medpion Cayman and its subsidiaries on behalf of the Group before the disposal of Medpion Cayman and its subsidiaries as detailed in note 37.

(d) The outstanding balances are receivables for the purchase of cloud servers.

(e) The outstanding balances are payables for the settlement of price adjustment compensation.

(f) The outstanding balances are payables for payments by the related parties on behalf of the Group.

(g) The outstanding balances are payables for the provision of health management service.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

40. RELATED PARTY TRANSACTIONS—continued

(d) Compensation of key management personnel of the Group:

The remuneration of key management personnels was as follows:

	Year ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2021	Six months ended June 30, 2021	Six months ended June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, bonuses, allowances and benefits in kind	8,424	9,286	6,174	3,083	3,075
Pension scheme contributions	214	32	133	66	68
Share-based payment compensation	1,229	96,122	218,769	103,982	73,660
Total compensation paid to key management personnel	9,867	105,440	225,076	107,131	76,803

Further details of directors' remuneration are set out in note 10 to the Historical Financial Information.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

Financial assets	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at FVTPL:				
Monetary fund	84,637	3	—	—
Wealth management products	306,638	38,057	1,067,321	—
	391,275	38,060	1,067,321	—
Financial assets at amortised cost:				
Trade and bills receivables	38,717	44,602	171,195	258,035
Financial assets included in prepayments, other receivables and other assets	23,575	59,942	118,969	98,321
Time deposits	5,000	5,048	5,048	5,097
Pledged deposits	—	—	—	73,200
Cash held on behalf of client	8,179	145,624	166,179	288,131
Amounts due from related parties	181	589	7,666	1,935
Cash and cash equivalents	199,110	1,628,021	535,849	1,366,423
	274,762	1,883,826	1,004,906	2,091,142
Financial liabilities				
Financial liabilities at FVTPL:				
Convertible redeemable preferred shares	1,774,143	3,618,732	7,434,838	7,914,398
Contingent consideration payables	—	—	24,467	24,467
	1,774,143	3,618,732	7,459,305	7,938,865
Financial liabilities at amortised cost:				
Trade payables	160,612	230,464	237,155	317,629
Financial liabilities included in other payables and accruals	35,147	169,372	224,518	317,514
Amounts due to related parties	—	—	2,878	1,864
	195,759	399,836	464,551	637,007

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair values

Management has assessed that the fair values of cash and cash equivalents, time deposits, pledged deposits, trade and bills receivables, trade payables, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, financial liabilities included in other payables and accruals and lease liabilities approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the financial director is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The Group invests in unlisted investments, mainly composed of wealth management products and monetary fund provided by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of the convertible redeemable preferred shares measured at FVTPL are determined using the Black-Scholes option pricing model. Further details are set out in note 31 to the Historical Financial Information. The fair value of contingent consideration payables is determined using the discounted cash flow method. Further details are set out in note 35 to the Historical Financial Information.

As at December 31, 2019

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL	—	391,275	—	391,275
Financial liabilities				
Convertible redeemable preferred shares	—	—	1,774,143	1,774,143

As at December 31, 2020

	Fair value measurement using			
	Quoted prices in active markets	Significant observable inputs	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL	—	38,060	—	38,060
Financial liabilities				
Convertible redeemable preferred shares	—	—	3,618,732	3,618,732

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

Fair values—continued

As at December 31, 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL	—	1,067,321	—	1,067,321
Financial liabilities				
Convertible redeemable preferred shares	—	—	7,434,838	7,434,838
Contingent consideration payables	—	—	24,467	24,467
	—	—	7,459,305	7,459,305

As at June 30, 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at FVTPL	—	—	—	—
Financial liabilities				
Convertible redeemable preferred shares	—	—	7,914,398	7,914,398
Contingent consideration payables	—	—	24,467	24,467
	—	—	7,938,865	7,938,865

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Convertible redeemable preferred shares	Black-Scholes option pricing model	Risk-free interest rate	0.50%-3.01%	note a
		Discount of lack of marketability ("DLOM")	5.50%-27.50%	note b
		Volatility	34.34%-37.34%	note c
Contingent consideration payables	Discounted cash flow method	Probability of achievement of net profit target	90%	note d

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS—continued

Fair values—continued

Notes:

a. 1% increase/decrease in risk-free interest rate, with all other variables held constant, would decrease/increase the fair value of convertible redeemable preferred shares by RMB10,903,000/RMB4,626,000, RMB9,017,000/nil, RMB7,781,000/RMB6,799,000 and RMB6,199,000/RMB7,458,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022. The risk-free interest rate was less than 1% as at December 31, 2020. As such the fair value makes a tiny change in case of 1% decrease in risk-free interest rate.

b. 1% increase/decrease in DLOM, with all other variables held constant, would decrease/increase the fair value of convertible redeemable preferred shares by RMB21,698,000/RMB16,990,000, RMB40,061,000/RMB42,313,000, RMB68,510,000/RMB68,071,000 and RMB72,977,000/RMB72,762,000 as at December 31, 2019, 2020 and 2021 and June 30, 2022.

c. 1% increase/decrease in volatility, with all other variables held constant, would decrease/increase the fair value of convertible redeemable preferred shares by RMB3,038,000/RMB631,000, RMB1,067,000/RMB6,588,000 and RMB347,000/RMB341,000 as at December 31, 2019 and 2020 and June 30, 2022, and would decrease the fair value of convertible redeemable preferred shares by RMB1,677,000/RMB24,000 as at December 31, 2021.

d. 10% increase/decrease in probability of achievement of net profit target, with all other variables held constant, would increase/decrease the fair value of contingent consideration payables by RMB2,719,000/RMB2,310,000 and RMB2,833,000/RMB2,627,000 as at December 31, 2021 and June 30, 2022.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, time deposits, pledged deposits, financial assets at FVTPL and convertible redeemable preferred shares. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and bills receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from such exposures arise from financing activities by subsidiaries in currencies other than the subsidiaries' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the USD exchange rate, with all other variables held constant, of the Group's loss before tax and equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in rate of foreign currency	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
December 31, 2019			
If RMB weakens against USD	5	9	7
If RMB strengthens against USD	(5)	(9)	(7)
December 31, 2020			
If RMB weakens against USD	5	(43,963)	(36,710)
If RMB strengthens against USD	(5)	43,963	36,710

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Foreign currency risk—continued

	Increase/ (decrease) in rate of foreign currency	Decrease/ (increase) in loss before tax	Increase/ (decrease) in equity
	%	*RMB'000*	*RMB'000*
December 31, 2021			
If RMB weakens against USD	5	(36)	(32)
If RMB strengthens against USD	(5)	36	32
June 30, 2022			
If RMB weakens against USD	5	(30)	(26)
If RMB strengthens against USD	(5)	30	26

Credit risk

An impairment analysis was performed at December 31, 2019, 2020 and 2021 and June 30, 2022 using a provision matrix to measure expected credit losses. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The calculation reflects the probability weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and year-end staging as at December 31, 2019, 2020 and 2021 and June 30, 2022

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and staging classification as at December 31, 2019, 2020 and 2021 and June 30, 2022. The amounts presented are gross carrying amounts for financial assets.

At December 31, 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	40,112	40,112
Contract assets*	—	—	—	51,873	51,873
Financial assets included in prepayments, other receivables and other assets	23,575	—	—	—	23,575
Time deposits	5,000	—	—	—	5,000
Cash held on behalf of client	8,179	—	—	—	8,179
Cash and cash equivalents	199,110	—	—	—	199,110
	235,864	—	—	91,985	327,849

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Maximum exposure and year-end staging as at December 31, 2019, 2020 and 2021 and June 30, 2022—continued

At December 31, 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	50,358	50,358
Contract assets*	—	—	—	75,906	75,906
Financial assets included in prepayments, other receivables and other assets	59,942	—	—	—	59,942
Amounts due from related parties	362	—	—	—	362
Time deposits	5,048	—	—	—	5,048
Cash held on behalf of client	145,624	—	—	—	145,624
Cash and cash equivalents	1,628,021	—	—	—	1,628,021
	1,838,997	—	—	126,264	1,965,261

At December 31, 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	179,868	179,868
Contract assets*	—	—	—	107,013	107,013
Financial assets included in prepayments, other receivables and other assets	121,180	—	—	—	121,180
Amounts due from related parties	7,399	—	—	—	7,399
Time deposits	5,048	—	—	—	5,048
Cash held on behalf of client	166,179	—	—	—	166,179
Cash and cash equivalents	535,849	—	—	—	535,849
	835,655	—	—	286,881	1,122,536

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Maximum exposure and year-end staging as at December 31, 2019, 2020 and 2021 and June 30, 2022—continued

At June 30, 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills receivables*	—	—	—	271,054	271,054
Contract assets*	—	—	—	115,893	115,893
Financial assets included in prepayments, other receivables and other assets	99,770	—	—	—	99,770
Amounts due from related parties	58	—	—	—	58
Time deposit	5,097	—	—	—	5,097
Pledged deposits	73,200	—	—	—	73,200
Cash held on behalf of client	288,131	—	—	—	288,131
Cash and cash equivalents	1,366,423	—	—	—	1,366,423
	1,832,679	—	—	386,947	2,219,626

* For trade and bills receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 24 to the Historical Financial Information respectively.

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:

- significant financial difficulty of the debtor
- a breach of contract such as a default or past due event
- it is probable that the debtor will enter into bankruptcy or other financial reorganization

The Group has established a policy to perform an assessment of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Management makes periodic collective assessments for financial assets included in prepayments, other receivables and other assets as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group recognized allowance for financial assets other than trade and bills receivables based on 12-month ECLs and adjusts for forward-looking macroeconomic data.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and lease liabilities. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Liquidity risk—continued

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

The Group

	As at December 31, 2019				
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	—	—	—	1,774,143	1,774,143
Trade payables	160,612	—	—	—	160,612
Financial liabilities included in other payables and accruals	35,147	—	—	—	35,147
Lease liabilities	6,228	20,778	45,725	908	73,639
	201,987	20,778	45,725	1,775,051	2,043,541

	As at December 31, 2020				
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	—	—	—	3,618,732	3,618,732
Trade payables	230,464	—	—	—	230,464
Financial liabilities included in other payables and accruals	169,372	—	—	—	169,372
Lease liabilities	7,424	21,223	38,226	311	67,184
	407,260	21,223	38,226	3,619,043	4,085,752

	As at December 31, 2021				
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	—	—	—	7,434,838	7,434,838
Trade payables	237,155	—	—	—	237,155
Financial liabilities included in other payables and accruals	224,518	—	—	—	224,518
Contingent consideration payables	—	23,100	4,200	—	27,300
Amounts due to related parties	2,878	—	—	—	2,878
Lease liabilities	9,211	27,482	55,589	981	93,263
	473,762	50,582	59,789	7,435,819	8,019,952

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES—continued

Liquidity risk—continued

The Group—continued

	As at June 30, 2022				
	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Convertible redeemable preferred shares	—	—	7,914,398	—	7,914,398
Trade payables	317,629	—	—	—	317,629
Financial liabilities included in other payables and accruals	317,514	—	—	—	317,514
Contingent consideration payables	23,100	4,200	—	—	27,300
Amounts due to related parties	1,864	—	—	—	1,864
Lease liabilities	10,687	25,462	49,749	1,370	87,268
	670,794	29,662	7,964,147	1,370	8,665,973

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

	As at December 31, 2019	As at December 31, 2020	As at December 31, 2021	As at June 30, 2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	1,151,106	2,478,598	2,892,819	2,905,151
Total liabilities	2,158,043	4,270,245	8,323,729	8,968,090
Asset-liability ratio	187%	172%	288%	309%

Note: Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION—continued

44. EVENTS AFTER THE RELEVANT PERIODS

In October 2022, the Company repurchased 2,668,776 ordinary shares with par value of USD0.0001 from two special purpose vehicle shareholders. The repurchased ordinary shares were reserved for 2017 Share Option Plan and had not been granted to any eligible award recipient before the repurchase. Details of the repurchase of shares of the Company are set out in the section headed "HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE" in the Prospectus.

On October 25, 2022, the Company granted 10,004,000 restricted shares held in Sail Far Holdings Limited under 2021 RSU Scheme to an employee of the Group.

On October 27, 2022, the deposit of RMB130 million as detailed in note 25 was fully returned to the Group pursuant to the second supplemental agreement entered in October 2022.

45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2022.